

HOME NEWS

Liberals take heart from Mr Callaghan's rebuke to the left

By George Clark
Political Correspondent

Mr Callaghan's forecast to the all-Wales rally of the Labour Party on Saturday of a glowing future for Britain if Labour can stay in power was seen by Conservatives yesterday as yet another attempt to rally Labour backbenchers behind the shaky structure of the Liberal-Labour pact, and to win support from trade union leaders for more restrictive phase three than they appear willing to accept.

Tory leaders noted that Mr Callaghan was vague when he came to wages policy. The first task, he said, was to beat inflation.

Until we do, every wage which is not met from higher production is a ticket to the dole queue. That is why it is important to reach a renewed understanding with the trade union movement for the next 12 months, an arrangement which will break decisively from the inflationary spiral that has plagued us.

Conservatives found it significant that Mr Callaghan is apparently now linking the next wage rise with higher produc-

tivity, taking a sterner line than either he or the Chancellor adopted earlier in the year when there was much talk about an "easier, more flexible approach".

What has happened, the Conservatives claim, is that the unions have become completely confused about the Government's aims and this will add greatly to the difficulties of the negotiations.

In the light of recent union demonstrations, Conservatives find it difficult to accept the implication in Mr Callaghan's reference to the "pundits"—the Labour government's answer, Mr Callaghan said, was that it could be.

Our answer is to say: "Look at the record and the improvement." He was comparing the present situation with that of February, 1974, when there was a confrontation between the Conservative Government and the miners. The Labour Government had, he said, brought conciliation and cooperation to a nation which was working three days a week.

Liberal found Mr Callaghan's speech encouraging. They welcomed especially his hard rap for those in the Labour Party, "whose language has become ideologically and ideologically based, their politics solely on texts and creeds, and believe that the drafting of long resolutions will usher in the millennium".

Further discussions between Mr Callaghan and Mr Street, the Liberal leader, about the future of the agreement and the Liberal's proposals for next year's legislative programme are likely to take place this week.

In his Saturday speech, the Prime Minister said the Labour Party was not built on dogma and advised his comrades to look at some of the old trade union banners. They would not read ideological texts there, but words like "fraternity, humanity, unity and comradeship".

Liberal backs some form of proportional representation and it could mean a lot of trouble for the Labour Party.

Mr Ron Davies, the Labour Party general secretary, has said that if ever proportional representation were adopted for Westminster elections, Labour

could say goodbye to any idea of creating a socialist Britain.

The Prime Minister said another Bill next session would seek to extend industrial democracy into the workplace. He conceded that the "process" were not bright, but he said it could only be a "starting point" for a start, but there is no going back on our commitment of industrial democracy.

Liberal is insisting that in day-to-day industrial democracy or profit sharing, and trade unionists shall have equal rights with members of unions.

Mr Callaghan said: "We must seek to broaden our political and social base. Living industrial democracy, relations in industry have improved a lot since the 1920s but they have not gone anything like as far as they could. It is simply being ignored or excluded from decisions which are vital to the future."

Steel and the Liberals have been pressing for an extension of civil liberties and the introduction of the long-delayed measure to repeal the Official Secrets Act. Mr Callaghan made a passing reference to this but gave no promise.

"We shall need continued vigilance to protect the citizen against the great bureaucracies, to protect the individual's right to know, his right to complain, and to have his grievance remedied."

The Prime Minister also spoke of the evolution of the National Enterprise Board, to increase its scale and power.

"We need more planning agreements in the interests of industry, workers and the nation. We need to rethink our position on big organizations. Public ownership should not concentrate on whole industries, under one single management."

In future there should be more diversity. There is far more scope for cooperative ownership, in new fields as well as those where it is already established. We are pledged as a party to set up a new cooperative development agency, and in the 1980s I look forward to seeing this idea expanded."

Another area where Labour needed to develop its ideas, Mr Callaghan said, was in community care and the role of voluntary bodies.

"State welfare is not the only kind of welfare and it is not a substitute for our own responsibilities as members of a family, as citizens and as human beings."

Campaign return Temple B launched

By a Staff Reporter

On the well-ordered law Lincoln's Inn this evening Anglo-American campaign the return of Temple B the City of London opened.

Several hundred lawyer City officials, with members of the public who wish to enter for a garden party, were in the hall for the return of Temple B. Wren's year-old arch from its ex-Hertfordshire wood to its new home in the north-west pre of St Paul's Cathedral.

American lawyers who undertook the job of more than half of the £500,000 required will be represented by the party by Mr Alex Meyer, the Chicago vice-man of the American Federation for Temple B.

Lord Widgery, the Chief Justice, Lady Whit and the trustees of the Temple B Trust, formed at the of last year under the membership of Sir Hugh Wren will be the joint hosts. party's organizer is Mr Tyrone Dwyer.

After listening to palm music by the Savoy Orp guests will be able to see exhibition, Mr Charles P. a former clerk of works Paul's, has assembled some paintings of the bar on his masonry and assorted ephe which together form a pol record of the gateway's a full history.

An account book, lent b City Corporation, shows masonry made in 1570 to J. Marshall, master mason, John Bushnell, sculptor, a four royal effigies adorn a bar of £1,090. Ten years Bushnell earned a further probably for two her beards.

One fascinating exhibit: sheet of rice-paper v appears only to show Te Bar by moonlight; on the paper to a strong however, the scene change one of Queen Victoria's through the bar on his the City on November 5.

Another exhibit, at Valerie, Lady Meux, the for barmaid who organized removal of Temple B. Theobald's Park in 1911, showing a long view of the bar from among the pill of her four-poster bed.

Both these last exhibits have been lent by the principal Theobald's Park College, adult residential centre whose grounds the bar stands.

Other exhibits include mod of the bar, made in the materials over many years paintings and engravings sh the bar decorated to c brite various royal visits to City and during the funerals of Nelson and Wellington.

There is an improbable ding from the Gothic show elephants passing through gateway for the Lord May procession of 1876; and there are some cartoons from P. and Fun depicting the out of Londoners at the memo erected in 1880 outside newly built Law Courts to t the bar, the bar's demol two years earlier.

Photographs by Charles trington, taken at Theob Park earlier this year, show effects of weather and vism on Wren's once lo monument.

TUC will try to preserve 12-month pay pacts

By Christopher Thomas
Labour Reporter

In the dying weeks of phase two the TUC is preparing to resist several unions that it believes will try to break the spirit or the letter of the 12-month rule for pay settlements.

The next period of accord on pay seems likely to be little more than a house of cards, with the 12-month rule possibly the best the Government can hope for in ensuring that there is not a surge of pay claims after July 31.

Among those who have settled under phase two but may return for more soon after July 31 are London dockers, Post Office engineers, train drivers, the Musicians' Union, the cine technicians and the Association of Scientific, Technical and Managerial Staffs (ASTMS).

Mr Clive Jenkins, general secretary of ASTMS, said: "I shall feel under no constraints. I consider it is now every man for himself."

Other groups are postponing settlements due under phase two in the hope of doing better later. Among them are English clearing bank staff, Fleet Street journalists, 55,000 gas workers belonging to the National and Local Government Officers' Association and the Merchant Navy and Airline Officers' Association.

If the new understanding turns out to be largely meaningless, the Government sees the 12-month rule as the best way of preventing a wages scramble and the TUC sees it as the most peaceful way of easing the transition to free collective bargaining.

Public-sector workers will bear the brunt of the Government's efforts to confine wage increases and the signs are that a 4 per cent to 5 per cent is all that is possible within the strict cash limits placed on local authorities.

The first big test comes in November, when one million blue-collar council workers are due for a rise, thus opening

the bargaining season through to next summer. That deal usually gives an indication of what other public-sector workers can expect. Hospital workers, 200,000 postal workers and 45,000 manual gas workers follow in December and January.

The National Union of Railwaysmen, which with the other two rail unions settles in April, is the last big union conference later this month to discuss pay after the miners and transport workers this week.

On July 15 national level talks open in London on a 15 per cent claim for 58,000 hourly paid Ford workers, operative from October 21, a figure much higher than anything the Government has been talking about.

The TUC is expected to prepare a statement at its next general council meeting later this month which will form the basis of its report to the congress in September.

Wages councils, which set legal minimum pay rates for three million workers, are criticized by the Low Pay Unit, a body set up to monitor wages during phases one and two.

The unit in a report, *Short Measures for the Poor*, says that nine of the councils awarded less than £5 during stage one. It would have been permissible for those agreements to be "topped up" for the full 15 per cent of the stage two award but only two of the councils had done so.

Half the 38 councils that have made settlements under phase two have not implemented the 5 per cent formula which enables workers earning more than £50 to get more than 12.50 a week, it states.

The unit also says that 19 councils gave less to 16-year-olds than to adult under phase one, and four had committed the same error in phase two. That was despite TUC guidelines that adult rates applied from 18.

Irish police investigate report of gun smuggling

From Christopher Walker
Belfast

Irish Special Branch detectives were yesterday investigating a report that arms for the Provisional IRA were landed last month at a deserted beach in Co. Cork, two miles from Kinsale, one of the most fashionable seaside resorts in the republic.

According to *The Sunday Times*, a consignment of 60 German Luger pistols was dropped from a German fishing boat and later unloaded in daylight by eight armed Provisionals who were supervised by a member of the organization's ruling army council.

The arms were said to have been taken by car to Dundalk and held in a safe house before being taken to Belfast.

The report came as an embarrassment to the Irish authorities, who have been anxious in recent months to play down the extent to which the Provisional IRA relies on the republic as a supply base and as a relatively safe location for IRA leaders to hold their meetings.

Yesterday the police in Dublin said that the Garda knew nothing of the matters referred to until they were published in the paper. The allegations were under investigation.

As well as pinpointing one way in which the republic is used as a landing place for illegal weapons and as a location for IRA training camps, the article also provided a detailed account of a recent meeting of the Provisional IRA's seven-member ruling council in a house in Sutton, a seaside resort a few miles outside Dublin.



Jubilee marathon: Boys from St. Andrew's Club, Westminster, taking part in a relay endurance run past Bockingham Palace. They covered 300 miles in less than 40 hours. Proceeds will go to the Silver Jubilee Appeal and the club.

Blasphemy case hearing begins today

By Our Political Correspondent

The blasphemy prosecution brought by Mrs Mary Whitehouse against the homosexual newspaper *Gay News* and Denis Lemon, its editor, starts at the Central Criminal Court today.

Mrs Whitehouse was given leave by a High Court Judge last December to bring a criminal prosecution for blasphemous libel. She complains that an obscene poem and illustration vilifying Christ in his life and crucifixion was published in *Gay News* last year.

Mr John Mortimer QC, has been briefed for the defence. The case comes before Judge King-Elmhurst QC, and is provisionally estimated to last two weeks.

Mrs Whitehouse, chairman of the National Viewers' and Listeners' Association, made a private application for Judge Brierley at the High Court last December.

Support among Tory MPs for regional list system

By Our Political Correspondent

Mr Malcolm Rifkind, Conservative MP for Edinburgh, Pentlands, and a former front bench spokesman on Scottish affairs, said last night that between 80 and 90 Conservative MPs are likely to vote in favour of the regional list system of proportional representation in the European Parliament.

They say that if a decision in principle could be made by the Commons before the summer recess, Britain's 81 Euro-constituencies could be drawn up and electoral arrangements made in time for elections in the autumn next year.

Mr Rifkind said last night that perhaps the most vital argument in favour of the regional list system was that it would ensure a Labour delegation of reasonable size.

"If first-past-the-post is adopted it is probable that Labour candidates will be overwhelmingly rejected in favour of Conservatives in England, and Conservatives and nationalists in Scotland," he said.

Mr Rifkind said that the practical elimination of Labour representation would be a great victory for the anti-market forces in the Labour Party, and would do the European cause untold harm.

Government will ignore defeat on vehicles Bill

By Our Political Correspondent

No attempt is being made by the Government to reverse a defeat on the Passenger Vehicles (Experimental Areas) Bill brought about by Conservative opposition at the committee stage. The Bill is due to complete its progress through the Commons today.

Mr Norman Fowler, MP for Sutton Coldfield and opposition spokesman on the Bill, said last night that the amendment greatly extends the Bill's scope. "The Government's original intention was to allow experiments in new passenger services, like car-sharing and mini-bus services, in four limited areas in Britain."

The effect of the opposition amendment is to allow any local authority to run experiments. One result is that county councils which have had their applications to run experiments turned down can now put their proposals forward again.

It would be possible for the Government to veto proposals, he said, but an incoming Conservative Government would be able at once to allow the maximum number of experiments.

Ulster votes needed for devolution

Continued from page 1

Ulster who are worried about accepting a first-stage assembly without any agreement on the second stage, but the most reasonable assumption is that they will cooperate. There is no confidence, however, that Mr Paisley's Democratic Unionist Party (DUP) will give its approval. But that should not prevent the attempt, being made if Mr Mason can secure sufficient agreement from the other three.

The battle for political dominance within the Protestant community might then have to be fought at the polls if the DUP was to fight the elections on straight opposition to the assembly.

Employers told that lower GCE grades are worthless

By Our Political Correspondent

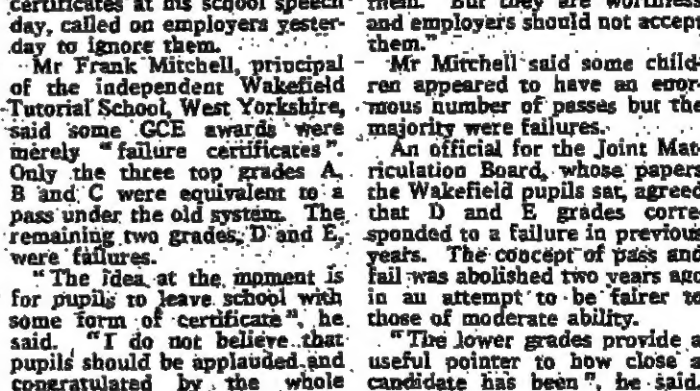
A headmaster, who refused to present "worthless" GCE certificates at his school speech day, called on employers yesterday to ignore them.

Mr Mitchell, principal of the independent Wakefield Tutorial School, West Yorkshire, said some GCE awards were merely "failure certificates". Only the three top grades A, B and C were equivalent to a pass under the old system. The remaining two grades, D and E, were failures.

"The idea at the moment is for pupils to leave school with some form of certificate," he said. "I do not believe that pupils should be applauded and congratulated by the whole

Weather forecast and recordings

NOON TODAY Pressure is shown in millibars. FRONTS Warm Cold Occluded



Where's the best of British china?

Two of the most famous names in British china, Royal Doulton and Royal Worcester, are showing the very best of their work at Selfridges from today until 16th July.

You can find them in the central part of our Shakespeare's Country on the fourth floor.

Many of the pieces are intricately made limited editions, but there's a wide choice of simpler fine bone china. All the items are for sale.

It's a working exhibition, too. Stay and watch the artists painting details on the figures, or the making of floral arrangements in bone china.

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Why not come up to Selfridges fourth floor? We know what's beautiful. And we'd like you to see it.

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Selfridges naturally.

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Britain's contribution to EEC is £736.8m

The amount paid by each member state to the Community budget in 1975 converted into pounds sterling at the conversion rate used for the budget of £1=2.4 units of account was in £m.

Country	1975	1976	1977 (est.)
Belgium	164.9	177.8	177.8
France	338.7	353.5	353.5
Germany	109.5	112.2	112.2
Italy	3.5	3.5	3.5
Netherlands	219.8	219.8	219.8
United Kingdom	341.7	341.7	341.7
Denmark	44.5	44.5	44.5
Spain	66.3	66.3	66.3
Portugal	10.9	10.9	10.9
Luxembourg	3.5	3.5	3.5
United Kingdom	341.7	341.7	341.7

Answers in Parliament

A periodic digest of information given in parliamentary written replies, with the sources and dates on which they appeared in Hansard.

The figures were 35 per cent and 36 per cent respectively. Exports in value terms were 29 per cent in 1962 and 15 per cent in 1976. Imports were 29 per cent and 13 per cent respectively.

Trade, June 27

Job-creation scheme. The number of jobs created and the number of project applications rejected or withdrawn, shown in parentheses, to June 9 were: London and south-east, 4,508 (662); Merseyside, 5,896 (233); Midlands, 4,528 (484); Northern, 13,801 (470); North-west, 6,062 (327); Scotland (east and north), 11,745 (295); (west), 12,839 (339); South-west, 5,520 (367); Wales, 8,903 (411); Yorkshire and Humber, 5,006 (464).

Employment, June 21

Retirement age. If the pension age for men in the state scheme were reduced to 60, the extra cost would be £1,500m. If 1977-78 supplementary pensions would cost about £50m extra. There would be

At the resorts

24 hours to 6 pm, July 5

Resort	Temp	Wind	Sea
South Coast	10-11	10-11	10-11
West Coast	10-11	10-11	10-11
North Coast	10-11	10-11	10-11
East Coast	10-11	10-11	10-11
South Coast	10-11	10-11	10-11
West Coast	10-11	10-11	10-11
North Coast	10-11	10-11	10-11
East Coast	10-11	10-11	10-11

Overseas selling prices

Austria, Sch. 18; Belgium, 18; Canada, 18; France, 18; Germany, 18; Italy, 18; Japan, 18; Netherlands, 18; Portugal, 18; Spain, 18; Switzerland, 18; USA, 18.

WEST EUROPE

The Kremlin softens line on European communists

Moscow, July 3.—The Soviet Union indicated today that it was keen to avoid a public dispute with West-European Communist parties on the issue of Eurocommunism and was ready to acknowledge their desire to pursue independent policies.

But at the same time it sounded warnings that the search for a programme answering national interests should not merge with "right-wing opportunism and a capitulation to pressure from the class enemy."

The twin messages were issued in a communiqué on talks over the past few days between Soviet ideologists and Italian party leaders and in a survey of East European press comment on the first anniversary of the East Berlin conference of European communists.

The Italian delegation came to Moscow amid a furor aroused by a harsh Russian denunciation of the Spanish Communist Party leader, for his recent book *Europe, Communism and the State*, in which he was strongly critical of internal Soviet policies.

Sources close to the delegation, which returned the last night, said they felt the Soviet leaders had misinterpreted the likely reaction among other parties to the attack on Senator Carrillo's programme. It was not to exacerbate the situation.

They pointed out that confirmation of this came in the communiqué, published in today's edition of *Pravda*, which was drafted by the Russians and included a key phrase expressing the Italian view on national roads to communism.

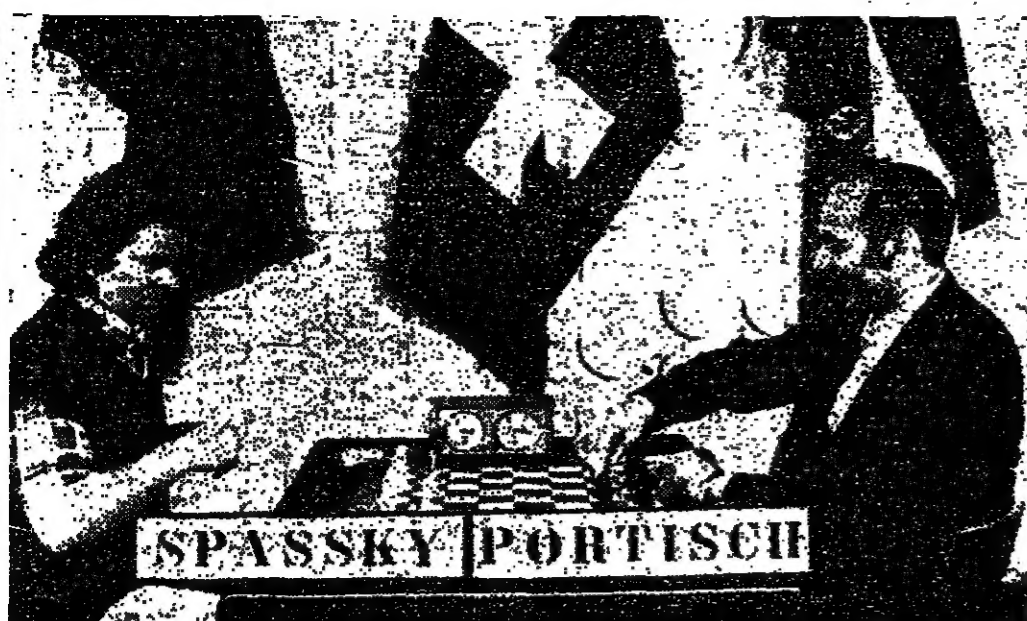
"The opinion was expressed," the communiqué declared, "that the contribution of each party to the common international cause is inseparably linked to its independent search for an elaboration of its own policy."

At the same time *Pravda* also published a report from Prague quoting the Czechoslovak party newspaper *Rude Pravo* as saying in an apparent reference to Senator Carrillo's programme "that the Berlin conference had rejected any policy that meant 'subjection of the working class to the capitalist system'."

The sources close to the Italian delegation, which was headed by Senator Carrillo's foreign relations specialist, said it had basically "agreed to disagree" with Moscow on Eurocommunism.

The Soviet side, headed by Mr Mikhail Suslov, the chief Kremlin ideologist, had argued that Moscow had been forced to reply to Senator Carrillo's book because the Spanish party leader had attacked the Soviet Union, in response to which the Italians had declared that open discussion of differences was correct but that the zone of the Soviet article—which many commentators had seen as suggesting Moscow wanted him drummed out of the world movement—was unacceptable.

The sources said that Senator Carrillo had told Mr Suslov and his colleagues that although the Italian party might not agree with all of Senator Carrillo's views, it would defend him because it could not accept any implied Soviet right to proclaim him a heretic.—Reuter.



World chess: Boris Spassky, the former Soviet world champion, waiting for Lajos Portisch of Hungary to make a move at the start of their world chess championship semi-final in Geneva yesterday.

Portisch, who played black, proposed a draw after 21 moves and Spassky accepted it. It was a game totally devoid of the aggressive play the two are famed for.

Spassky, who lost his world champion title to Bobby Fischer of America in 1972, said he was confident he could win back his title. The winner will meet the victor of the other semi-final tournament which is

being held in Evian, France. Their finals will determine who will challenge Anatoly Karpov, of Russia, the ruling world champion, for the title next year.

In Evian, Viktor Korchnoi, the expatriate Russian grandmaster, won his opening game yesterday against Lev Polugayevsky, of the Soviet Union. In the game, begun on Saturday, Korchnoi played white. Polugayevsky abandoned it after 60 moves. He seemed to have been taken back by a surprise knight move of Korchnoi's and although he could apparently find no satisfactory defence.

Money already transferred to more sheltered climes

Dwindling assets explain decline in flight of French capital

From Charles Hargrove
Paris, July 3

There is an apparent paradox in the fact that despite the divisions within the French Government, the spectacular success of the left in the municipal elections last March, and the threat of a financial crisis in the left wing of the party, the flight of capital from the country, both legal and clandestine, has been distinctly less marked this year than in 1976.

If less French capital has found its way to Switzerland, the United States or West Germany, to be stored away safely in foreign stocks or bonds, or even in numbered accounts, the reason is simply that the great bulk of what was available for transfer had already gone.

When socialist leaders are asked whether the coming of the left to power would provoke a rush of Frenchmen from the Swiss frontier with suitcases full of banknotes or gold napoleons, as in the aftermath of the students' and workers' upheavals of 1968, they reply that this has already happened.

This is borne out by the official statistics of the Bank of France. In 1976, the deficit on capital transfers was 8,733m francs as against 1,569m francs in 1975, which coincided with two peak periods: in March, when the franc was fighting a losing battle against the Deutsche Mark and finally gave in by leaving the European "snake"; and in August, at the time of the election of government, when the full extent of the inflationary threat was revealed.

The outflow of capital, for the first quarter of 1977, was, according to the Bank of France, only 1,350m francs, or nearly half last year's average for the same period. There is an even clearer indicator of this panic rush to make for economically or politically more sheltered climes: the rate charged by middlemen for illegally transferring funds abroad has this year dropped from 1 per cent to ½ per cent.

Apart from the fact that much "panic" money has already gone, in these times of tighter credit, high unemployment, and sluggish financial activity, less cash is available to be sent away in Swiss banks or on the New York stock exchange.

Small and medium-size firms have less liquidity. At the same time, the French Government, which has given up the impractical idea of attempting to search all vehicles and passengers at the frontier, or of examining all capital transfers through banks disguised as bogus commercial remittances, has pinned its faith on high interest rates and indexed loans.

Finally, there is another factor in the present decline in the flight of capital: the general election is not until next March and people are unwilling or unable to tie up their money in Switzerland or elsewhere nine months ahead of the crucial date, particularly when economic hopes tend to undermine the thesis of the inevitability of a left-wing victory. Inflation has slowed down; the franc is reasonably stable; and it is obviously not overvalued at present.

This does not mean that in the weeks running up to the election there may not be another rush of funds. But a great deal of capital export can still be carried out perfectly legally under present legislation. There is no restriction in France on the purchase of foreign stocks and shares, provided it is done through French banks. Investments abroad are allowed up to a limit, depending on circumstances, of 1m or 2m francs.

Until September of last year, any Frenchman could buy property overseas up to a value of 300,000 francs. This has now been cut to 150,000 francs, which does not purchase more than a cowshed on the shores of Lake Geneva. In the Swiss Canton of Valais, 30 per cent of all property investments are made with funds from France.

There are other ways of sailing away assets abroad, either semi-legal or illegal. The fact that only ½ per cent is charged on such deals shows that the law is being flouted. One favourite way is to buy property in Switzerland or West Germany and somehow acquire resident status, which means one can transfer as much as one likes.

Another way is to buy goods for a certain amount, say to declare a third more, which is then placed in a foreign bank account. A third, widely practised by artists, professional people, pop singers and the like, is to under-declare one's earnings abroad and bring back only part of them.

OVERSEAS

Pravda accuses President Carter of starting new arms race in order to wreck chances for Salt

Moscow, July 3.—The Soviet Union today accused President Carter of starting a "fresh spiral in the arms race" by announcing that he would intensify the difficulties in the path to a new SALT agreement.

The accusation was made in a survey of the news production of the B1 bomber, which was taken as a sign of moderation or restraint. There simply was no other way out, the White House said, and the weekly review of world affairs.

The *Pravda* structures were seen as reflecting among Soviet circles the trend of American defence spending despite suggestions by some outside commentators that the President's scrapping of the B1 bomber could be a conciliatory gesture to Moscow.

Pravda said, developments since Mr Cyrus Vance, the Secretary of State, came to Moscow last March for talks on a strategic arms limitation (SALT) accord "have only intensified doubts about the sincerity of the United States Administration in the latest announcement."

After attempting to revive the 1974 Vladivostok provisional SALT agreement and impose on Moscow terms for an accord which would have given America military advantages, Washington was now "moving on to the path of stepping up military preparations," the *Pravda* review said.

The President's decision to go ahead with the development of the Cruise missile was "a warning of the kind of events" it is well known how

intentions in American ruling circles. The United States is seeking a new spiral in the arms race. This was a course dangerous for mankind and it served only the enemies of peace and the monopolies of the military-industrial complex."

The Soviet Army newspaper, *Red Star*, also added its voice today to the attack on the American "dash" to race new weapons. It said that the ordinary people of America wanted peace and declared with all their voices: "Down with the Cruise missile and Trident submarines!"—Reuter and AP.

Washington: The Pentagon has decided to stop production of the Minuteman nuclear intermediate-range missile, a weapon the United States has been making for the past 17 years, Administration officials said.

The Ford Administration, having rejected a failure of Salt talks with the Soviet Union last year approved \$317m (£185m) to keep the Boeing company's Minuteman production line open and to buy an additional 60 of the later Minuteman III multiple warhead missiles.

The Carter Administration initially rejected the plan but then agreed to buy 10 of the 60 missiles it had been due to decide last Friday on another 10 missiles.

But, the officials said, the Defence Department now felt the production line should be closed in the next few months and the White House was expected to approve this despite anticipated congressional objections.—Reuter.

Gunmen seize Cairo politician

Cairo, July 3.—Extremist Muslim gunmen kidnapped a former Egyptian Cabinet minister today and threatened to kill him within 24 hours unless jailed members of their banned sect were released.

Dr Zaki Zuhairi, Minister for Religious Endowments until last year, was abducted from his home in the industrial Cairo suburb of Helwan. Four kidnappers, disguised as policemen, and armed with sub-machine guns, dragged him from his bed.

An anonymous telephone caller later told Reuter that the abduction was carried out by the illegal Muslim Society which is demanding freedom for 30 members of the sect in jail. Police said they had arrested 100 suspects, including all members of the sect previously released from prison.

The caller said the sect put a deadline of noon tomorrow on Dr Zuhairi to meet its demands. He said: "If it is not met, two men were later arrested as they entered the offices of the United Press International and Agency France-Press, news agencies carrying lists of demands."

On the positive side, Mr Zuhairi said, there was no reference in Mr Vance's speech to the one-man, one-vote system for South Africa. Instead the secretary had spoken of "full participation" and "guarantees."

Mr Botha rejects US 'selective morality'

From Ray Kennedy
Johannesburg, July 3.—An American vigorous attack on the American policy towards South Africa has been made by Mr R. F. Botha, the South African Foreign Minister. In a television interview here he said that the choice had to be between "a deterioration in relations with the United States and a change which would in effect mean the destruction of South Africa, then it must be a deterioration in relations."

Mr Botha declared: "We cannot comply with something which is a matter of necessity for our people. That must be made clear and I have made it clear and I will continue to make it clear, whether they like it or not."

The foreign minister was reacting to the policy speech on Africa delivered by Mr Vance, the American Secretary of State, on Friday.

He accepted that there had been a number of positive elements in the speech, but added: "It abounds with inconsistencies which strengthen my contention that selective morality is practiced in the United States policy towards South Africa."

On the positive side, Mr Botha said, there was no reference in Mr Vance's speech to the one-man, one-vote system for South Africa. Instead the secretary had spoken of "full participation" and "guarantees."

American help likely for army in Lebanon

From Patrick Brogan
Washington, July 3.—The United States is considering helping Lebanon to reconstruct its armed forces which ceased to exist during the civil war there.

A largely Syrian force keeps the peace in Lebanon; and the Americans are now considering giving the Lebanese Government up to \$100m (about £50m) to equip a new army.

No offensive weapons would be supplied. The State Department, which has discussed the matter with the Senate foreign relations committee, is thinking of supplying weapons and equipment for 3,000 to 4,000 light infantry, mainly rifles, machine guns, personnel carriers, pillboxes and communications equipment.

Mr Cyrus Vance, the Secretary of State, arranged to give Lebanon \$50m in economic aid when he left for the Middle East last February. Congress has now approved a further \$20m.

The idea of helping Lebanon military aid is obviously extremely delicate. The Israelis mounted another incursion into southern Lebanon last week; and the continuing rivalry between Lebanese and Palestinian forces there could easily lead to renewed fighting.

Any Lebanese army equipped by the Americans might be thought more likely to co-operate with the Israelis than the White House was expected to approve this despite anticipated congressional objections.—Reuter.

Meanwhile, the United States continues to make far larger quantities of arms available to Israel, and prepares for the visit here of Mr Begin, the new Israeli Prime Minister, later this month.

Florida, June 3.—United Nations officials today arranged a ceasefire on the most important front in war torn southern Lebanon.

But sporadic fighting continued near the border village of Yafra, only 1,200 yards from the Israeli border.

Yafra was stormed by rightists yesterday after a fierce five-hour battle, but later it was recaptured by forces of Lebanon's leftist-Palestinian alliance.—Reuter.

Prisoners of conscience

From David Watts
Johannesburg, July 3.—Mr Victor Nkandhi is a leading member of the South West African People's Organisation (SWAPO) which opposes South Africa's continued rule over Namibia.

Namibia: Victor Nkandhi

Mr Nkandhi was first arrested in August, 1975, after the assassination of Chief Filemon Elias, Chief Minister of the Ovambo-land. Mr Nkandhi was held incommunicado and without charge until March, 1976, when he was called as a prosecution witness at the trial of six other SWAPO supporters charged under the Terrorism Act.

He and another detainee, Mr Arsi Johannes (Prisoner of Conscience, May 24, 1976) refused to testify, alleging that they had been tortured during interrogation by the South African security police. As a result, both men were sentenced to a year's imprisonment for contempt of court.

Mr Nkandhi was due to be released from Windhoek prison on February 28 this year, but on that day he and Mr Arsi Johannes were re-detained by security police and transferred to the main interrogation centre at Robben Island, in northern Namibia. Former detainees who saw the two men at Robben Island report that they both have been seriously ill-treated.

Norway's ban on cod fishing disturbs trawler men

By Ronald Kershaw
Northern Industrial Correspondent

While Europe's fishing industries have been concentrating on the upheaval caused by the British ban on herring fishing in the North Sea, Norway has quietly closed a halt to cod fishing off its coast. The British Fisheries Federation fears this will lead to the laying up of British trawlers in the next two months. They claim that Hull, Grimsby, Fleetwood and other lesser extent Aberdeen will suffer.

In a letter to Mr Sikke, the Minister of Agriculture and Fisheries, the federation asked: "Where do we fish now?"

The federation blames the closure on the attitude of Britain's EEC partners and the absence of a suitable common fisheries policy.

The background to the move on fishing, Norway and May unilaterally imposed a quota for the EEC collectively to be taken in two stages, the second one starting in September. Norway now says that the first stage has been exhausted.

The British Fisheries Federation at the time sounded a warning that the first quota might be exhausted by August. Norway claims that it had happened by the end of June. The final allocation for the last four months of the year could well be reduced, the federation fears.

The federation said last night that because of the immediate closure by Norway of fishing grounds off its coast, there would almost certainly be a diversion of effort to the areas round Bear Island and Spitzbergen, where Norway has already announced a "fisheries protection zone" and a "scandal on fishing."

It said: "If the standstill is not observed, Norway may carry out her threat and re-

duce EEC quotas in her own 200-mile limit for the last quarter of the year."

The federation told the minister that the closure was all the more upsetting because the British fishing industry had been practising a high degree of restraint throughout the north-east Arctic before Norway's decision. The EEC quota "Norway's decision will mean laying up British trawlers including some of the big freezers which can only catch in the north-east Arctic because of quota restrictions elsewhere."

Fishing in the Spitzbergen and Bear Island areas was already slow and would become slower as its pace intensified. Diversion to the southern sector of the Barents Sea was also likely to lead to further restrictions by the Russians.

A spokesman for the British Fisheries Federation said: "The end of fishing in Norwegian waters, which we forecast, has indeed happened but sooner than we expected, underlining the massive effort the rest of the EEC has put in there in the two months since Norway announced her unilateral imposed quotas. Cod supplies will be further reduced and employment in the deep sea ports is threatened."

Under the old North-East Atlantic Fisheries Commission the quota for EEC countries totalled some 169,000 tons. Britain's quota was 98,000 tons, compared with the new one imposed by Norway of 54,000 tons for the whole of the EEC from May to the end of the year. Ironically, Norway will still be able to fish in British waters for fish such as mackerel, sprats and herring.

"Britain and Norway have always been regarded as the two countries most responsible regarding conservation of fish stock; as well as being close to other fisheries matters."

Leading article, page 15

Terrorist threat to avenge dead leader

From Our Correspondent
Rome, July 3

One of Italy's main terrorist groups, the Armed Proletarian Nuclei (NAP), has threatened to avenge their presumed leader, Antonio Lo Muscio, shot and killed in a gunfight with carabinieri on Friday night.

Carabinieri said Lo Muscio was shot after he opened fire on a police patrol that approached him and two women companions as they were arriving at the steps of the Church of St Peter in chains.

Investigators said that material found in a bag owned by one of the women revealed that the three had been about to attack the rector of Rome University, Professor Antonio Ruberti, who was in a university building near the church at the time.

An anonymous caller to the Italian news agency Ansa said that three people would die to pay for Lo Muscio's killing, and in Naples journalists were told that a new group called "Red Brigades" was now safe from reprisal.

Experts believe that the NAP has now effectively merged with the Red Brigades, the most active group.

Madrid pledge to Catalans on home rule

From Our Correspondent
Madrid, July 3

It looks like a manoeuvre to win Catalan nationalist support in the new Spanish Parliament, the Government promised this weekend to provide an interim solution to Catalan demands for home rule within the month.

After a week of meetings between Señor Josep Tarradellas, the president of the officially unrecognized Generalitat of Catalonia, and the King, Señor Adolfo Suárez, the Prime Minister, Señor Rodolfo Martín Villa, the Interior Minister, and others, the Government announced yesterday that the first step had been taken towards the reestablishment of the Generalitat.

At a press conference yesterday Señor Martín Villa said that current Spanish legislation could be used to justify administrative reorganization on a regional basis, and that the Government intended to take this first step.

Later his ministry said that a "formula of transition" had been worked out in the talks between Señor Tarradellas and members of the Government.

Spain's matador, page 14

Ecumenism attacked in rebel bishop's sermon

From Ian Murray
Paris, July 3

Nearly 4,000 traditionalist Roman Catholics crowded into the casino at the Palais de la Méditerranée in Nice today to hear Mass said by one of the "young priests" ordained by Marcel Lefebvre at his seminar in Ecône on Wednesday, in defiance of the Pope.

The rebel prelate said before the service that the traditionalists were the true Church of Christ. They were a little like the church of the catacombs. He said that he would pay no attention if the Pope were to excommunicate him.

In his half-hour sermon later, Mr Lefebvre denounced ecumenical conferences where "the religion is mixed and where the impression is given

that there is no longer any difference between Catholicism and Protestantism. We are in a complete middle."

He said that he was accused of trying to split away from Rome. "That is not true. We are Romans. We only ask the Pope to be the successor of Peter. We also say to him: 'Do not be the successor of Jean-Jacques Rousseau'."

Rome, July 3.—The Pope again ignored the defiance of Mr Lefebvre and spoke in stead of crime which "humiliates us and afflicts" at his midday blessing from his study window today.

Smith drift to moderation drives Mr Frost to resign

From Frederick Cleary
Salisbury, July 3

The only surprising thing about the resignation at the weekend of Mr Desmond Frost, the Rhodesian Front Party chairman, was that it took so long.

A peppery outspoken man who has never deviated from his right-wing principles, Mr Frost has long taken exception to Mr Smith's drift to moderation.

Mr Frost said the Government of watering down party principles and policies was a betrayal of the party's leadership. Mr Smith's leadership of the party.

However, as the months passed and it became more apparent that Mr Smith had accepted the inevitability of black rule in the foreseeable future, so Mr Frost's bitterness became more open.

On a national television programme in April he said: "If you go ahead on the idea that you have majority rule, a black ruled government, not only the white ethnic group will suffer, but also the black ethnic groups that are not of the same tribe as the governing party."

This weekend Mr Frost said: "It would be completely dishonest of me if I continued to be a member of the Rhodesian Front, giving tacit support to a leader who has shown increasing evidence of a total lack of leadership." He accused Mr Smith of being bankrupt of ideas and said the declining support from black Rhodesians could only be attributed to a lack of white leadership.

Ethiopian leader in bitter attack on neighbours

Continued from page 1

future receive all of the military and financial assistance given by the OAU to the Rhodesian nationalists.

The question of recognition is the one's subject of contentious issues on the agenda for the heads of state to discuss between now and Tuesday, when the summit report of the important to the Senegal resolution on non-interference in the affairs of member states together with the OAU charter.

The dispute which broke out last week's Council of Ministers meeting between Chad and Libya will also be discussed before the heads of state, as well as a Nigerian resolution dealing with intra-African disputes, but not Kenya's complaints of an alleged invasion by Somalia. There will be discussion too of a proposal made at last year's summit in Mauritania of a special meeting to consider the disputed territory of Western Sahara.

These are all issues which could easily crack the organisation's unity. Just how sensitive some leaders are about them was evident today when President Mobutu of Zaïre objected to a reference contained in the summit report of Mr William Enk Mbomou, the OAU secretary-general, to the recent invasion of Zaïre by Somalia. He said it was "intentionally dishonest" of Mr Mbomou to suggest in his report that the fighting in Somalia may have been only an internal dispute.

A total of 23 heads of state and six heads of government are attending the summit, the largest number for years. All the organisation's states are represented except Eritrea.

Unity theme as Canada marks 110th birthday

From Our Correspondent
Ottawa, July 3

For a country supposedly threatened with dismemberment Canada has just celebrated a remarkably joyous hundred and tenth national birthday.

The national celebration was an exercise in political euphoria. The Federal Government has organized it in about two months after learning that the separatist Government of Quebec had plans to celebrate St John the Baptist Day on June 24 on a big scale.

St John the Baptist is the patron saint of French-speaking Canadians.

In a Dominion Day message to the nation Mr Trudeau, the Prime Minister, said that the national birthday this year was being celebrated "under the dark cloud of a serious threat to our unity as a united country."

But neither can it be denied that in the shadow of that threat and because of it, we are beginning to rediscover how important we all are to each other and how profound would be our loss if the separatists succeeded in dividing us."

Ethiopian leader in bitter attack on neighbours

Continued from page 1

invizibly the star turn so far has been the arrival of President Amin Uganda, making his first public appearance since he "vanished" last month. He received a spontaneous round of applause when he arrived at the opening ceremony yesterday, the only head of state to be dressed in military uniform.

During this evening's session Colonel Mengistu, chairman of the provisional military government of Ethiopia, launched a bitter attack on two neighbours, the Sudan and Somalia. He accused Sudan of being a "league with reactionary" Arab states, and "imperialist" forces of trying to ferment instability in Ethiopia's northern provinces.

He said that the Sudanese forces are engaged in a "bitter war of secession against the Addis Ababa regime."

Somalia, he said, retained territorial ambitions towards

parts of Ethiopia and was training and arming "bandits" to carry out a campaign of massacre, pillage and destruction in the southern part of Ethiopia.

In a speech during yesterday's opening session President Mengistu said that Ethiopia had made a "thirty-year attack on the Soviet Union, which has been badly motivated by the 'Red' day's regime. He said: "I would turn Africa into an arena of conflict." He condemned those countries which had signed "aggression" pacts with "puppet powers as being in breach of the OAU charter."

The Kingdians are clearly concerned about what they feel is an anti-Soviet turn developing within the OAU, particularly the organization's present preoccupation with the interference issue.

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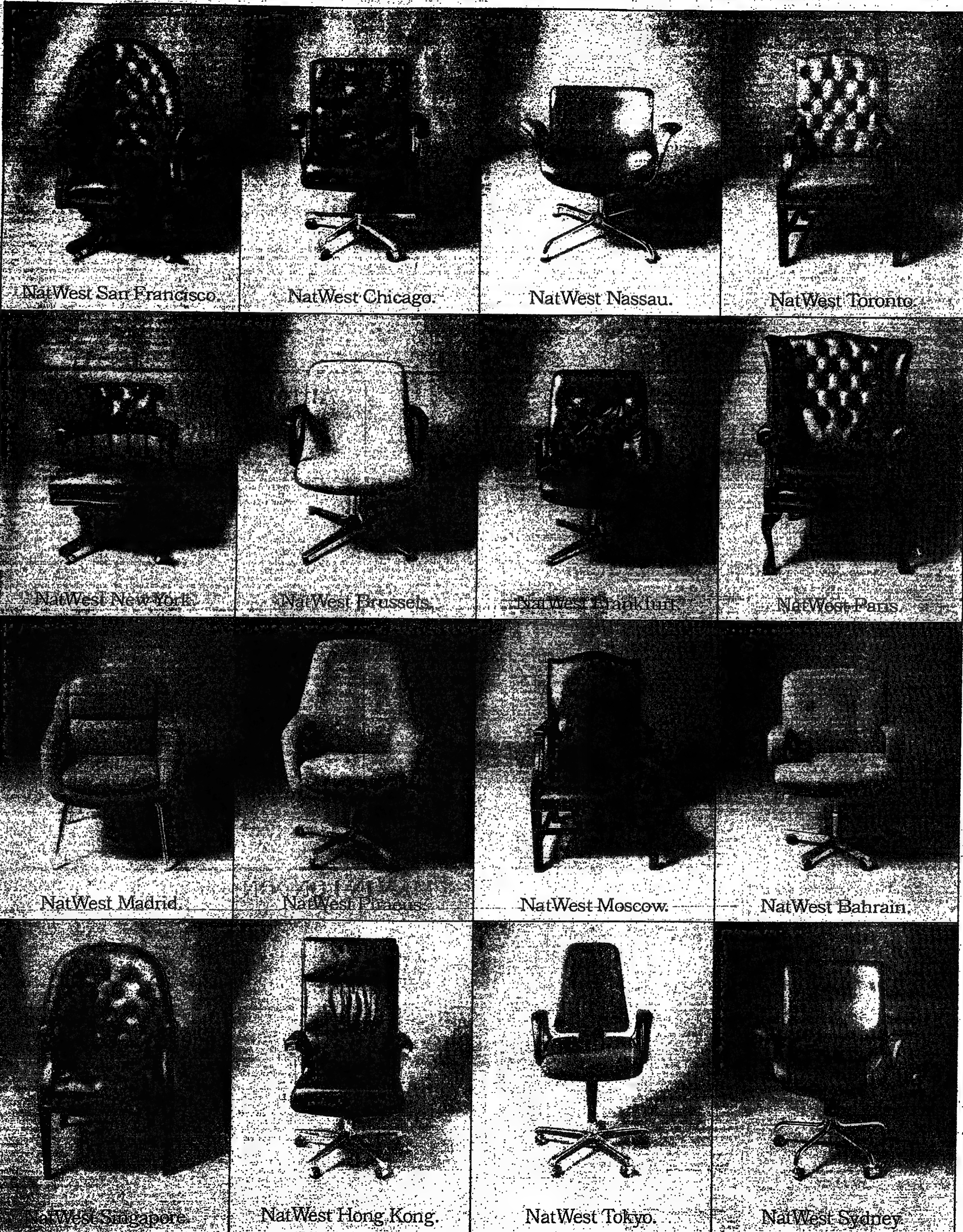
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William Chislett assesses Sr Adolfo Suárez's first year as Prime Minister

The matador who has outwitted all Spain's political bulls

Madrid When King Juan Carlos appointed Sr Adolfo Suárez Prime Minister a year ago there were many who threw up their arms in despair, believing that the time had come when the death knell for any attempts to move Spain to democracy.

Liberals breathed a sigh of relief when the king summoned Sr Carlos Arias, his first Prime Minister and General Franco's last, on a bright sunny morning and demanded his resignation. But when Sr Arias was named, the atmosphere was one of gloom and despondency descended upon the opposition.

Sr Arias had been a disastrous Prime Minister appointed under pressure from the "unker, the entrenched, die-hard Francoists, and while Sr Suárez was not chosen in the same league, few thought he was the ideal man for that delicate period.

Who better to destroy the Franco regime than a product of that same regime? Reform from within the system, instead of revolution from without. Sr Suárez, the Minister of General Franco's National Movement in the Arias Government, was known to be a politician, but never as one capable of destroying the very system which had brought him to power.

With everything looking a little too rosy at the moment after the general election, which confirmed Sr Suárez in his post, it seems that a century and not a year has passed since his appointment.

It is arguable that if the king had not got rid of Sr Arias, Spain's democracy would have reached an impasse. When Sr Suárez took over at the age of

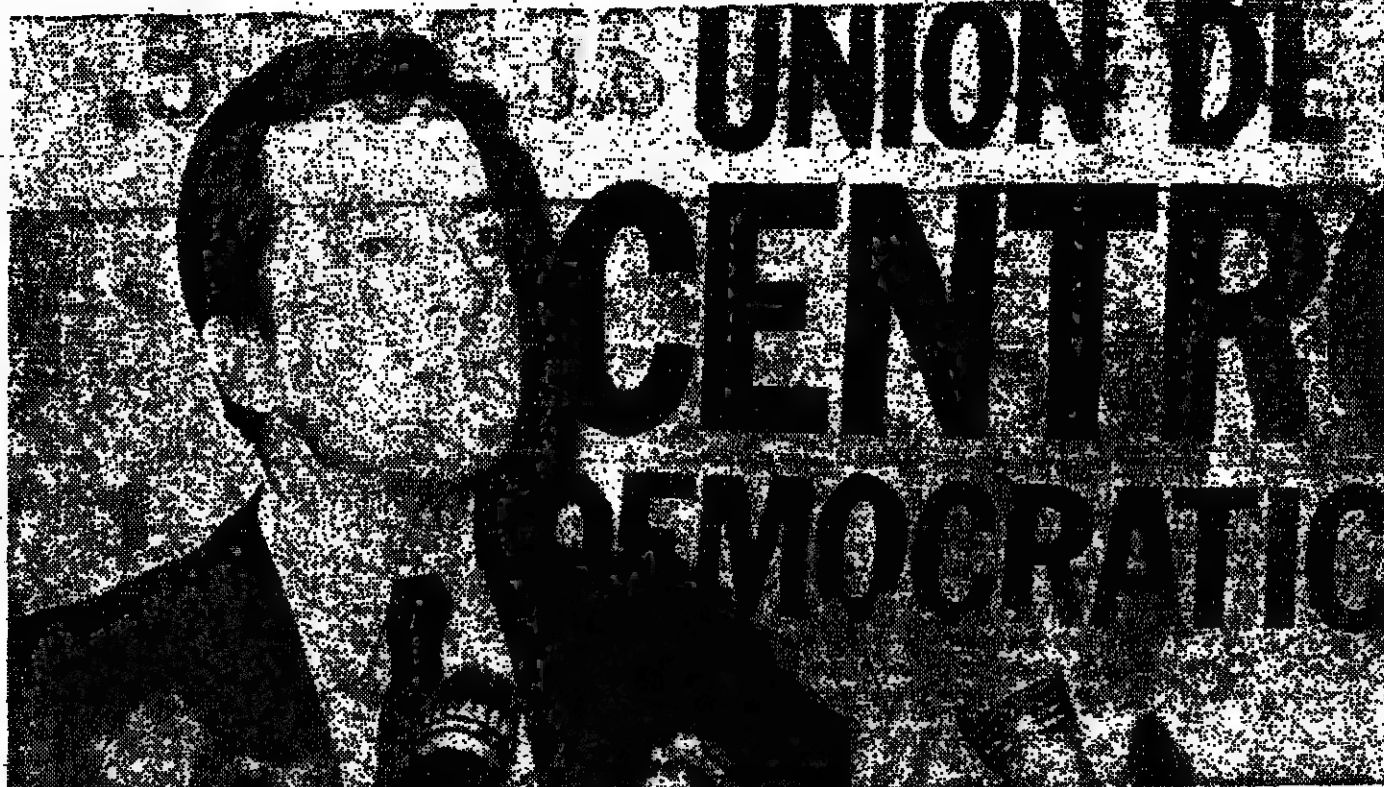
43, the transition to democracy had not even started, despite all the liberal noises made by people like Sr Manuel Fraga, the Interior Minister in the Arias Government, who refused to serve in the Suárez Government: a blessing in disguise for Sr Suárez for the true conservative colours of Sr Fraga were soon revealed when he formed the neo-Francoist Popular Alliance.

The Francoists thought they would be able to control Sr Suárez, particularly as his name was put forward as one of the three candidates for the job by Sr Torcuato Fernández Miranda, the highly conservative President of the Cortes and of the Council of the Realm, the bastion of Francoism responsible for drawing up the list of candidates for the king.

What they did not immediately realize was that Sr Fernández Miranda's first loyalty was to the king as his old tutor. The king had had his eye on Sr Suárez for some time for he was impressed by his sincerity, energy, intelligence and youthfulness.

It was no coincidence that the king chose someone who belonged to his same generation—the generation, which as one politician put it, "was the product of the conquerors and the conquered and was not traumatised".

The king, far more politically aware than he was given credit for, was still known in that dark time as "Juan Carlos the Brave". He knew better than anyone, with the memory of the fate of his grandfather Alfonso XIII, who went into exile in 1931 when the republic was established, that unless the king changes the nicknames might come true.



Sr Suárez at the press conference marking the formation of his Centre Democratic Union before the election.

"I feel and I believe that I am a democrat," Sr Suárez said when he was Movement Minister. The opposition, still persecuted in varying degrees, laughed. Sr Suárez's biography as a democrat was hardly convincing.

Born in Cebreros, a Castilian village of 5,000 inhabitants, he was one of five children of a government lawyer. Active in the Catholic Action organization, he studied law on his own taking his exams at Salamanca

University and later joined the Madrid Bar Association. His family were comfortable middle class and Catholic in an area renowned for its religious feeling. Avila, the capital of his home province, was also the home of the mystic St Teresa.

So handsome was Sr Suárez when he was young and also quite religious that worried girls in the village, taken by his charm, asked him whether he would become a priest.

His first contact with the

labyrinthine political system came in his early twenties when Sr Herrero Tejero, who exercised a profound influence on Sr Suárez, was nominated civil governor and autonomously the head of Avila. Sr Suárez by then had become popular in Avila after starting a small private crammer. His name was recommended to Sr Tejero, a member of the Fusión, the lay Catholic organization.

Sr Suárez held a series of minor provincial administrative posts where he soon came into contact with the movement. He was never a committed Falangist, but like many people without money or connections the only way to get ahead politically was to work your way up the movement, which he did.

He was remembered as dedicating himself wholly to any task in which he was involved. (His grandfather once told him when he was a child that "if you go on like this you will be Prime Minister one day.")

With the death of General Franco he was appointed Movement Minister and kept low profile. But he did not waste time as soon as he was appointed Prime Minister there was a story told in Cebreros of young Suárez running in front of the bulls during the village's annual fiesta, when he used to show, like so many Spaniards, a certain flair as a matador. The image is apt for when he became Prime

Minister he was faced having to perform a series of "faenas" getting Cortes to commit hara-kiri, legal general elections, legal trade unions, starting a dialogue with the opposition granting an amnesty.

There was also the delicate issue of depoliticizing armed forces and at the time convincing them of need for change and, most difficult of all, scrapping movement and legalizing Communist Party: all faced with pressure from right not to go too far from the left to get a move and within the framework the torpid Francoist legal

He quickly introduced a style into the neanderthal political life. Gone were the pompous threatening speech of the ancien régime as they placed a willingness "to die".

Sr Suárez was quickly a bronca (harsh) reprobate when he announced that he would attempt all the faenas. "Franco's civil servants and a member of the Council of the Realm, who that it would not be easy the "traitors".

Sr Suárez once admitted privately that he faced opposition from the right. This is why even such politicians as Sr Santiago Carrero Salazar, the communist leader, are pro Suárez. It certainly was a most difficult year for Sr Suárez and he has yet to go. Now that he has himself a mandate to go he will find the opposition much more keen to keep on his toes.

Eric Moonman

How Labour can win an autumn election

There is no justice or generosity in politics. When it comes to the next general election, the Labour Government's achievements through several difficult years will count for nothing with an electorate which tends to vote even in local elections where the real issues are entirely different, on the state of its pocket or its stomach.

Unfortunately for the Government, the effects of political action take time to work through to the individual. Because of this it seems likely that, as in 1970, it will be a Tory government that will reap the fruits of the present Government's sacrifices of short-term popularity in favour of long-term benefits to the economy, and will preside over the economic revival which the harshness of the past two years has made possible.

Thus Jim Callaghan has a hard choice ahead of him. Either he can try to stay in government, with Liberal aid, for another 12 or 18 months, and risk having an election forced upon him in midwinter, repeating Ted Heath's 1974 experience. Or he can tackle the electorate in a positive way and go for an early election on a date of his own choosing. I'll come back to the date later. What is primarily concerned with is the need for the Government to spell out what it has achieved now—Margaret Thatcher is not going to do it for us, neither is Bernard Levin nor Ronald Burt, nor

even the "Militant" left, the Trots and their friends, who are after bigger game, hoping for the total disintegration of our present system of government so they can take over.

The Government has considerable advantages in its credit: to take just half a dozen items:

1. *The economy*
The balance of payments situation has reached a turning point with a current account surplus of £126m in the three months to April this year, the first since early 1972. This is an astonishing achievement in view of the massive deficit in the balance of payments, the increase in the value of the pound, the increase in the price of oil, and the increase in the price of food.

In addition, the gold and currency reserves have risen to record levels. The Government's economic policies have received the support of the IMF and the World Bank, and the value of our coal, oil and gas reserves has increased confidence in sterling, stabilized the exchange rate, and enabled the Government to bring down interest rates. Industrial production is on an upward path, with a 3.5 per cent rise in manufacturing industries production for the first three months of 1977, compared with the same period last year.

2. *Industrial relations*
Industrial relations had reached an all-time low when Labour was elected in 1974,

yet 1976 saw the lowest number of days lost through strikes since 1967. Although the figures for early 1977 are less good, Britain's record is still far better than most industrialized nations. Labour's approach to industrial relations, as seen in the involvement of the trade unions in the social contract, in new approaches to health and safety at work, and in moves towards industrial democracy, has been a critical factor in this improvement.

3. *Pensions*
The Government has transformed the situation of the retired. Pensions are now indexed by statute to rise each year in line with the average earnings or the cost of living (whichever is the greater), and pensioners are, in fact, in real terms better off than they were when Labour came to power. In addition, a new pension scheme has been set up which is designed, ultimately, to take the poverty out of retirement altogether.

4. *Care of the disabled*
The Labour Government has taken the first steps towards better care for the disabled, with a new approach to disability income with non-contributory invalidity pensions, mobility and attendance allowances.

5. *Education*
The unification of our education system is almost complete, with the approval of 862 new comprehensive schools, and with only a few authorities resisting until the last possible moment the ending of selection. Seventy-six per cent of all secondary pupils are now being educated in comprehensive

schools, which means that three-quarters of a million children have wider educational opportunities. Education has also become the subject of wider public discussion, with the Great Debate initiated by Jim Callaghan and Shirley Williams.

6. *Social services*
The Government has put through a major reform of the law relating to children, set up specialist teams for improving services for the mentally handicapped, and an inquiry into mental handicap nursing and care. These may appear minor reforms, but they affect millions of people's lives, often at points of crisis, and many similar government achievements of this kind can be identified by those who have benefited.

With such an impressive record, it is said that the Government has made so little impression on the electorate. It is up to Jim Callaghan to choose this and I would argue him to send his team of 107 ministers out of their offices and away from their desks during August and September, visiting every town in Britain to tell the people what they have done. Such an approach would generate the kind of excitement and the kind of response that is missing from politics today—the emphasis on television has turned it into just another branch of entertainment, and no very good entertainment at that. Let the Government be seen as real people with real problems and real answers.

The Government should distribute some of the fruits of our three years' self-sacrifice now. I believe that the Chan-

cellor committed a tactical error in making his biggest tax concessions, which would have given a boost to every taxpayer's take-home pay, dependent on a third stage of the voluntary incomes policy. The unions, have delivered the goods, twice, they could have been trusted to do so a third time with something real to show their members. This lack of trust may well prove fatal to the social contract.

But the Government must also explain that when North Sea oil comes on to full flow it will not mean massive income tax cuts, social services expansion, and similar short-term benefits. It is all that happens, the ending of the North Sea years—perhaps 20 in total—will see us back where we are now. The profits from the oil must be ploughed into investment in industrial production and research into alternative energy sources so that we are once again equipped to compete with other nations, who modernize their factories two or three times as often as we do. If this is done we can lay the foundations for a permanent improvement in our national situation.

In brief, the Government must go on the attack now. Jim Callaghan would be well advised to clear the decks for an autumn election; if the job is tackled positively and with the confidence the Government has every right to feel, then Labour need not fear the result. Running away won't help us; meeting the electorate halfway will.

The author is Labour MP for Bursledon.
© Times Newspapers Ltd, 1977

All royal life is here, and there is quite a lot of it

The King of Montenegro, in the unlikely event of the Montenegros deciding to restore their monarchy, is a useful last picture aged 64 living in Paris. He is the son of the late King of Saxony, Maria Emanuel, Margrave of Meissen (in a role of royal education is a financier and painter living in Switzerland). The King of the Albanians is King Leka I, head of the house of Zogu, aged 35, who gives a picture of the country's restoration he hopes for, he is waiting for the call to Madrid. Unlike other monarchs in exile, he has never been short of money, because his father, King Zog, succeeded in getting his considerable personal fortune out of Albania before the Italians moved in in 1939. The Emperor of Brazil is Dom Pedro Henrique of Orleans and Bragança. He lives on a farm in the State of Rio, and his claim to the imperial throne is challenged by his much richer first cousin.

Monarchy is a curious, persistent obsession in the second half of the twentieth century. Even today about sixty hereditary monarchs are still in business around the world, not counting refugee monarchs and chiefs of small tribes. Their powers range from the old-fashioned monarchies of some of the states of the Persian Gulf, to the exotic constitutional monarchies substituted for Japan after the last war for the feudal and divine powers of the Mikado, and to the republics cunningly disguised as a constitutional monarchy that have evolved in the United Kingdom over more than two centuries.

The attractions of monarchy as a method of government are several and peculiar. As Bage-

hot approximately said, ordinary people find extraordinary people doing canonical things easier to understand and more interesting than politicians with their white papers and their loud, arrogant voices. A hereditary monarch, by representing in his person the line of ancient kings from whom he is descended, symbolizes and personifies the shared history that gives a people a sense of continuity and a sense of nationhood. As long as the family remains the basis of a civilized society, then a hereditary royal family is not so much an anomaly, as an apotheosis.

Monarchy is a rich source of interest to genealogists, students of constitutional history, and ordinary people who like their history personified, ennobled, and nurtured. There are cranks, dangerous cranks, and royalty freaks.

Burke's Peerage has just started publishing a comprehensive and definitive dictionary of world royalty that will become an indispensable reference book and favourite bedside reading for most if not all of these groups of people. This first volume deals with more than 50 royal houses that have reigned in Europe and Latin America since the dawn of the nineteenth century. It embraces reigning and non-reigning royals, major and minor, and ranges from the imperial house of Austria to the royal house of the Two Sicilies, not forgetting the imperial houses in the plural of Mexico, the Grand Duke of Tuscany and the Grand Master of the Order of St Stefano (Archduke Gottfried, aged 75, resident of Salzburg). The books consist partly of massive genealogies full of sur-

prising plums. Did you know, for example, that the Rich-Nixon is the ninth cousin King Leka of Albania, therefore theoretically if so what distant in line for throne, if the Albanians should decide that they want monarchy again? There are lively biographies of a number of monarchs, sketches of present heads of the royal families, reigning, hopeful, or resigned to never reign again. And there are external historical essays on the royal families, their past, and their personalities. Many of these are larger and odder than life.

Queen Elizabeth of Romania ("Queen Sylvia", a writer, born a splendid and absurd) called our blessings ships through a message and sang exulting due with a charlatan who works under the delusion shared nobody else that he could sit equally well as a bass, a tenor, or a soprano. King Leopold of the Belgians wore a wig, kept his head warm, and trouble-soiled books to keep in the damp. King Ferdinand, consort of Dona Maria Gloria of Portugal, at the age of 60 rode an elephant about a ship as triumphantly and of his own chivalry as Di Quince himself.

It would be an exaggeration to say that all human life here, but some rich and some poor, some noble and some rucked away in this material end-book of the royals.

Philip Howarth
Burke's Royal Families of the World, volume 1, Europe and Latin America, Burke's Peerage, £18.



Penelope Keith asks you to bring a little "good life" to someone old and sad

When every day means being shut in to the utter loneliness of a drab room, can you wonder that many old people feel driven to despair? Or when every morning brings another day of slow starvation—as it does for old folk in many countries—you'll understand why voluntary workers plead for more supplies.

Even a little help can make a big difference; can end loneliness with a new Day Centre, or rescue the housebound with a minibus and save life with food.

Here's how to send hope and friendly help.

£5 provides 25 nourishing meals for old people in hunger stricken countries.

£30 can help towards a new Geriatric Unit in Britain.

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£150 perpetuates the memory of someone dear to you, by inscribing their name on the Dedication Plaque of a Day Centre.

Your donation is desperately needed to help old people. Please use the FREEPOST facility and address your gift to: Hon. Treasurer, The Rt. Hon. Lord Maybray-King, Help the Aged, Room T7, FREEPOST 30, LONDON W1E 7JZ (no stamp needed).

*Please let us know if you would like your gift used for a particular purpose.

No programme on radio or television is discussed as much in the prints as *Today* on Radio 4. This I take not to be because of its intrinsic interest but because it provides for many journalists and their readers their first cultural infusion of the day.

When I occupied this space on a daily rather than a weekly basis I would quite often take the programme to task for this or that piece of nonsense. Other commentators do the same, most recently Crispin, a diarist in the *New Statesman*.

His mild criticism was more effective than mine in that it provoked a response from Ian McIntyre, no less the controller of Radio 4. He wrote to boast that the "new pattern of breakfast-time listening" (surely indistinguishable from the old pattern seen by people who work for the BBC or who have unusually sensitive antennae) was pulling in the crowds.

Not only was *Today*, he asserted, attracting more listeners than hitherto, but the news bulletins at seven and eight o'clock had increased their audience by a cool quarter of a million apiece. The most likely explanation for such a large reaction is that the BBC have done their sums wrong; though I suppose the increased audience for *Today* could be attributed to the fact that the programme is shorter, so Brian Redhead clears his throat less often.

McIntyre's own explanations are that the new format throws the news on the home "sharper relief" which is pure mumbo-jumbo; and that "the newswoman have risen to

the occasion and have been writing particularly crisp bulletins". The word "crisp" is one which media executives are wont to use when at a loss for any more cogent form of praise. When I worked on *The Sun* I was sometimes complimented by my masters for "crisp copy", which I then meant simply that I had kept it short; but this cannot be the meaning when applied to news bulletins, which are of fixed length.

So I made a couple of sample listenings to the eight o'clock news last Tuesday and Thursday, trying to detect the crunch of crispness. Thursday's bulletin contained some impressive flights of fancy in the reporting of the Grunwick dispute.

At the first mention, the dispute was said to be "drawing into its coils" the Post Office and the postal workers' union. Next, the "hope was expressed" that people could "prevent the ripples from spreading" and finally it was said to be "spreading like an anemone" which sent me scurrying for the dictionary. Imaginative, but hardly crisp.

Tuesday's bulletin was dominated by the Spithead Naval Review which was to take place that day. Here, and in the *Today* programme which followed, I noted a deplorable failure of reporting. The bulletin noted that the Queen had asked specially that, when cheering her, the sailors should shout "Hurrah!" rather than "Hooray!" This gripping information was thought so vital that it was repeated in the *Today* programme and, for a third time, in the subsequent review of the morning papers.



But in no instance was an attempt made to explain the Queen's eccentric preference. What are her motives for discriminating between "Hurrah!" and "Hooray!" and, more important, what right does she have to impose her wishes in the matter? She should surely be delighted enough that her sailors want to give vent to this spontaneous outburst of loyalty and affection, without being so presumptuous as to dictate to them the precise terms in which she will accept the tribute.

The mystery deepened when, feeling that the story had a familiar ring, I reached for my cutting book. Keen students of my career will recall that my first work ever to be published was an article in *The Spectator* in June 1958, about preparations for a Queen's Birthday Parade at Chatham Barracks, where I was serving her at the time as an Able Seaman's Assistant (Stores).

The Queen was not scheduled to be there in person: the chief guests were to be the mayors of Chatham and Gillingham and the Commandant-in-Chief, The Lord In the event the parade was cancelled because of rain, but in the re-

hearsals for it we were, as I reported in my article, given precise instructions about how to cheer.

"The Commander will say 'Hip-hip-hip!' the First Lieutenant told us. 'You will answer 'Hooray!' and describe with your cap a left-handed circle two feet in diameter. It is essential to say 'Hooray!' with this accent on the RAY. On no account must it be 'Hurrah!'"

So the navy's own liking for "Hooray!" over "Hurrah!" goes back at least 19 years. Why, then, is it still an issue in 1977? And what does lie behind the Queen's determined stand on the matter? Real scope here for investigative reporting; but the BBC's newsgatherers, for all their purported crispness, have always regarded it as their job to convey received information rather than to find things out for themselves.

Another instruction I wrote about more than once during my years as a diarist was the Automobile Association. Usually my comments were favourable—as on their book of country walks—but my last reference was only a few weeks ago, when I accused the AA of being anti-life. So I feared some dreadful retribution when, last weekend, on a visit to my mother-in-law in Yorkshire, I was obliged to place myself at the mercy of the AA Relay rescue service.

We broke down, with smoke pouring from the bonnet, in a horrendous rain on the M63, about 14 miles from where we were staying. We were alongside an emergency telephone and, through the efficiency of the

Humberdale, police and the AA, help was at hand within the hour.

No roadside repair was possible, said the patrolman. It needed a new gasket—one of those bits of mechanism whose mysteries are known only to AA men. He towed the car and passengers to my mother-in-law's house and arranged a relay to London for the following day, when a yellow truck came for us.

The cordial driver winched the car on the back, put us all into comfortable aircraft-style seats in the cab, and conveyed us quickly to a motorway area on the Derbyshire border, where we were joined by two more cars and passengers in a similar plight.

This was the low-point. Our next vehicle turned out to be a Land Rover and trailer limited to only 40 miles an hour, and even slower uphill. It pattered to a base camp near Northampton, where things improved considerably again. On arrival, we observed the driver of a truck even more modern and comfortable than the first, polishing it up in readiness for us. Time for a quick cup of coffee—at 3p, surely the cheapest in the land—before speeding on to London.

We reached home some seven hours after we set out, and the car was delivered to a local garage for repair. The AA personnel were wise: we were alongside an emergency telephone and, through the efficiency of the

Since I am devoting this column to venerable British institutions, a quick knee in the back of the Campaign for Real Ale. Being fond of some traditionally brewed gin

beers (though some of more exotic ones taste to me as though they are made from old socks), I admire CAMRA original work in getting up to improve the choice of customers by introducing some of the non-keg brews.

Yet their report last week on the subject of lager rests on a shaky foundation, under which seems inseparable from proselytizing campaigns of a sort. They found lager "was and overpriced", adding that it "makes handsome profits for the big brewers". Drinkers would get much better value for money drinking ordinary bitter and mild.

What seems not to have occurred to the CAMRA fanatics is that there are those who actually prefer the taste is larger to that of bitters and mild, and are prepared to pay the asking price for it, despite its low original gravity. On the hottest days last summer found a glass of lager, cold and refreshing from the tap, much more valuable than a warm, stinky mug of Stench and Dredge's Old Peculiar.

I have staying with me nephew from the United States, who has enjoyed spending his afternoons watching tennis on television, downing can after can of lager the while. This does not make him a person of no discrimination: a dose of the big brewers' is doing what he likes, and it is wrong of CAMRA to snub at him for liking it. If we choose our drinks solely on the basis of how strong they were, or how quickly they would get us smashed, we should all be knocking back pints of draught gin.



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THE CHINESE INTERREGNUM

Nine months after Mao Tse-tung's death China is still without a new leadership group. Many top posts are unfilled, the surviving party political bureau is under strength and ill-assorted; most plainly, Mr Hua Kuo-feng's authority as party chairman lacks the official seal. This delay is the reason why those looking for signs of change following the Maoist era find little to fasten on. Most of the attitudes on which Mao put his personal stamp survive. It is safer therefore to play the old tunes, most of all for an insecure leader who justifies the post he claimed by Mao's personal approval.

Only in certain areas has China unmistakably moved away from Maoist habits. Much the most important is in the management of the economy which now proceeds unimpeded by the constant political injections associated with Mao's singular revolutionary ambition. Over twenty years, with the accelerated cooperatives of 1956, the great leap of 1958, going right on until the climax of the cultural revolution in the late sixties, the evidence accumulated of damage done to the economy by constant political campaigns. So much so that a consensus developed, focusing on Chou En-lai's leadership, that looked for an end to these intrusions. In the final battle with the radical Maoists it coalesced to the point where there was general agreement, irrespective of personalities, Mr Teng Hsiao-ping's maligned question: what does it matter if the cats are black or white as long as they catch the mice? has been answered in his favour.

The other area of change is defence. No formal burial is necessary for Maoist tenets of guerrilla warfare. A rational modernising of the Chinese forces is in hand, no doubt with

the support of all but a handful of military leaders openly committed to the radical cause. If, perhaps, symbolic that Mao's first, respected party critic, Marshal Peng Teh-huai, who commanded Chinese troops in their only experience of modern warfare in Korea, should now have been vindicated both in his criticism of the great leap and for his military judgment. Indeed, it might be said that when he was driven from office for his criticism in 1959 the real rift between Mao and his colleagues began.

But look elsewhere than the economy and defence and there is little change. The door is now more open to western culture—that followed naturally on the overthrow of the gang of four. Will it lead in time to greater freedom for Chinese writers and producers? It is too soon to say. For the most part communist dogma reigns. The dictatorship of the proletariat is still inscribed on the tablets. Last month *People's Daily* intransigently dismissed the possibility of communists coming to power by peaceful change. In May, almost with glee, the party paper recalled Mao Tse-tung's castigation in 1955 of the eminent social philosopher and rural reformer, Liang Shu-ming, for saying that Marxist class stratification and class warfare had no reality in a Chinese context. Even the tiny, meaningless, pro-Chinese Marxist-Leninist parties still send their delegations to Peking.

But of course, the most obviously unchanged sphere is China's adherence to the world view it inherited from Mao: the unyielding hostility to the Russians and, balancing that, the readiness to be patient over the detente with America. That same root of fear and hostility to the Soviet Union still guides the

all Chinese behaviour in Asia, Africa and Latin America.

None of these current reaffirmations of Maoist belief whether over party dogma or foreign policy seems to have been the outcome of careful reassessment. In part the explanation must be that Chairman Hua dare not risk the charge of disloyalty to Mao. More important than Mr Hua's own reservations is the fact that in these areas there has always been disagreement, more complex than the simple consensus against Maoist political campaigns. If there is to be a debate over reducing tension on the Sino-Soviet border, or on how the American relationship should be handled, or on what figure China wants to cut in the third world, then it can only begin when the approved new men are sitting around the table. That will not be before the formalities of a central committee plenum, a party congress capped by the National People's Congress, probably during the early autumn.

When this has duly happened what can we expect? From Chairman Hua the continuing careful management of the economy that he has already initiated and, in general, a defence for the middle road. He seems in other ways very much a product of Maoist tutelage, formed by the post-Yenan era. If one looks for someone capable of reflecting on China's revolutionary purpose—or, more likely, China's national aims—then Mr Teng Hsiao-ping is the only man with the force of personality and the pre-Maoist experience to see China's predicament not simply in its communist context. The bickering behind the scenes over his restoration to power has gone on all this year. The new, post-Maoist China may take as long again to declare itself.

BRITISH FISHING IN DISTRESS

The British fishing industry must be wondering what it has done to deserve the succession of cruel setbacks it has suffered ever since Iceland declared its unilateral fishing limits in 1975 resulting in the last (and, for Britain, unsuccessful) cod war. The universal movement towards the establishment of 200-mile fishing zones, Britain's membership of the EEC, and the urgent need for conservation measures to save certain stocks from extinction, have combined most unfortunately for our fishing fleets. Almost all the consequences have been detrimental.

The Government's unilateral ban on herring fishing until the end of the year is a case in point. Stemming from the best of motives—to ensure the continued existence of herring in the North Sea—it has, because it is non-discriminatory (a necessary feature to confer legality on the decision so far as the EEC is concerned) hit the Scottish fishing industry almost as hard as it has the Dutch. The argument that unless such a ban was imposed no one would ever be able to fish herring at all in the longer term may be valid, but it is of limited comfort to the Scottish trawlers laid up with nothing to do. It was the right

thing for the Government to do, but it is bound to have an adverse effect on a section of our own fishing industry.

The herring issue has, of course, not been finalised. The Dutch are resolute, which is particularly unfortunate in view of the friendship which normally obtains between Britain and the Netherlands. Other EEC members have criticised Britain for its obdurate attitude and might be the less receptive to Britain's claims in the context of the important wider-ranging discussions on a Common Fisheries Policy, and especially to her demands, admittedly now diluted, for a 50-mile exclusive or preferential fishing zone. What will happen next January 1? Six months is surely not long enough a period for stocks to be replenished sufficiently to allow a resumption of fishing on any significant scale.

Cod fishing off Norway provides another example of the difficulty of reconciling good Europeanism with the reasonable expectations of Britain's fishing industry. The British Fisheries Federation has pointed out that Norway has stopped all cod-fishing off her coast because the quota for the whole EEC, which was supposed to allow fishing up

to August, was exhausted before the end of June. A new quota does not come into force until September.

The Federation says that the reason for the speed of fulfilment of the quota is that the fleets of other EEC countries, unlike Britain's, abandoned responsible restraint and made every effort to fish as much as possible as quickly as possible.

The British Government is in a difficult position. However much sympathy it may feel for the fishing industry, fisheries is not the only sensitive issue, nor the most important one, on the EEC agenda. There is a limit to how tough it can behave on behalf of Britain's fishermen, partly because of the consequences a bitter struggle on fishing may have on other areas of discussion, and partly because losing some control over her waters and her fisheries was part of the price paid by Britain on accession to the Community. Within the practical limits imposed, however, the Government must continue to fight hard for a reasonable and workable arrangement that would ensure the survival of the fishing industry, and in the longer term, its renewed prosperity.

David Wood

A House not to defend or to destroy

In a few unscripted remarks to the newly launched Peers and Press Luncheon Club, I surprised myself by asserting that the House of Lords is "at once indefensible and indestructible", and wondered if any judgment, though capable of proof, ought to be facile in its phrasing. It sounded and still sounds like a phrase merely for effect. Yet last week another set of proposals to reform the House of Lords redeemed the phrase. The Lord Chancellor and 12 other Labour peers published a report insisting that the present House cannot be justified in its present powers or composition, though a reformed second chamber remains indispensable.

The Champion working party, of course, must be reckoned to have an implied interest. They are all members of the existing second chamber, where they continue to speak and vote on lawmaking long after they have retired from the rigours of Commons life, lost their Commons seats or finished their devoted service to Sir Harold Wilson. The working party was also expressly set up to challenge a left-wing proposal within the Labour national executive committee, that the next party manifesto should renew the old, old commitment to abolish the Upper House. The members could scarcely be expected to put on the black cap and sentence themselves to death. They could be expected to propose reforms in composition and powers that would deprive the Lords while making the House more acceptable to its radical critics who nowadays include Lord Carrington, the Opposition leader, and many Conservative peers.

Expectations were fulfilled, though not with much daredevil originality. Most of the proposals followed the Labour White Paper of November 1968, which was based

on inter-party talks and carried in both Houses the same month: a two-tier house of the limited number of voting peers, with non-voting peers who could speak; the removal of the peers' absolute right to reject statutory instruments; and the reduction of the Lords' suspensory veto over legislation to six months from the date of disagreement between the two Houses.

Some White Paper proposals, however, are missing from the Champion report, including those to enforce retirement at 72 years, to guarantee that the government majority in the Lords, and to leave patronage wholly to the Prime Minister's recommendations.

The Champion proposals accept the argument that the Lords as now composed is indefensible by suggesting that the hereditary basis of membership should be altered, so that only peers of first creation and life peers should have voting rights, although a proportion of active hereditary peers could be made life peers by party selection. There is nothing revolutionary or particularly radical in that.

Even before the 1914-18 war the Conservative leader, Lord Salisbury, invented the group of Independent Conservative peers to lessen the Conservative majority in the House. In 1933 he went further and brought in a Bill for a reformed chamber, made up of 150 peers elected by their own order, and 150 members from outside.

Ever since then, Conservative leaders have pioneered in Lords reform, particularly the revolutionary Harold Macmillan who ingeniously filled the old bottle with new wine. Most Conservative peers today agree on the need for root and branch reforms to remove hereditary dominance.

Why, then, with such broad agreement decade after decade that the composition of the Lords needs changing, is the House still so built indestructible? The answer never alters. Precisely because changes in composition would make the Upper House easier to defend and more palatable to its radical critics, the House, once brought into being by legislation, could not be kept under constant threat by an extremist or arbitrary minister and its powers had been statutorily given, though apparently diminished, could be and would be used with increased

respectability. For more than half a century the House, or the majority within it, has observed a convention of rarely obstructing any government of the day, and in a reconstructed House that convention might well cease to work as a brake on party spirit.

For the Labour left, and those further towards Marxist-Leninism, it always follows that a weak and unreformed Lords is better to live with than a strengthened and reformed House. For that reason they plump now, as they plumped before under Clem Attlee and Harold Wilson, for outright abolition and a unicameral system. Hence Sir Harold's abandonment of the Parliament Bill (No. 2) in April 1969, when Labour backbenchers deserted him in droves on the committee stage.

At any rate, the Champion working party had no truck with a unicameral system. They conceded that it is not the proper role of a second chamber in a democratic system to "usurp" (constitutionally not a happy word) the authority of the elected first chamber.

Then they added: "A second chamber is justifiable and relevant if it reinforces democracy through the effective performance of certain functions." Among those functions, rather significantly, they felt it necessary to include that of overriding any attempt by the elected chamber to prolong a Parliament's life beyond the statutory period of five years. That they could be regarded as a crucial democratic safeguard in the absence of a written constitution, and it may serve as a comment on what a group of experienced Labour politicians in the Lords see as at least a danger, even though it be remote.

For the Labour MPs who endorse the Champion report, the justification for a second chamber also extends to relieving the Commons burden by initiating and revising legislation, especially where a guillotine has been used below, by providing a forum in which men from outside politics can debate the national interest, and by scrutinising but not than the Commons the growing spate of EEC legislation.

For internal Labour Party reasons, the proposals cannot be practical politics. But they will help to keep the Lords in being, much as it is, for a long time to come. As sometimes happens to deluged with a paradox, the Labour left are the anti-reformers.

Society's attitude to human life

From the Archbishop of Westminster

The delaying tactics adopted by the pro-abortion members of the Standing Committee examining the Abortion (Amendment) Bill sponsored by Mr William Benyon and the House of Commons, in its attitude of the Government were described and assessed, I presume, accurately by Ronald Butt (June 30). In one sense, his article said all that needs to be said about that question. It is indeed sad to witness such determination to thwart the repeatedly expressed will of the House and to ignore the content among so many ordinary people about the effects of the 1967 legislation.

May I, however, make two further points. Mr Benyon's Bill is not the fundamental issue. Behind the present controversy lies the profoundly moral question of our society's attitude to human life and to the value of every individual. This is a question which touches the life and the dignity of each person and is indivisible. To care deeply about human rights is to be anxious to defend them in all their forms and to oppose to the grave indifference to the fate of the unborn is but one expression of an attitude that may yet take unacceptable decisions regarding the continuing life of the aged, the handicapped, the terminally ill. We are told that the sole motive for legalising abortion and euthanasia is compassion, but it is, in my view, a selective compassion. It does not take account of all the facts in the situation. Better, I believe, to regard life as a gift, to view each person as uniquely valuable, to harness the energies of society to the creation of a more just and humane society.

Should we not be thinking—and this is my second point—of the need to learn how to develop loving and lasting relationships within marriage, to act responsibly towards those whom we love, to foster family life and to create a caring society supportive of those in distress?

To advocate abortion as an automatic response to the continuing predicament is, I am convinced, to misjudge badly the enduring values in our society. There is, I believe, among many men and women an uneasiness about some of the forces at present shaping our society, and there is too, an unchanged attachment to many of the ideals, inherited from our Christian past, of family, honour, and respect for life. We should not undervalue these profound instincts. They are crucial to our well-being.

Yours faithfully,
BASIL HUME,
Archbishop of Westminster,
Archbishop's House,
Westminster, SW1,
July 2.

From the Chairman of Brook Advisory Centres
Sir, Regarding Ronald Butt's article (June 30), I am deeply disturbed by the suggestion that the Bill is a "substantial" amendment. And to draw a precedent from the comparison between the extra time allotted to the Standing Committee and the amendment Bill is spurious. Mr Steel's Bill was awarded extra time because the majority in favour of the Second Reading was a substantial 194.

Furthermore, many of those MPs who voted for the Second Reading

of Benyon's Bill did so, not because they were in favour of the Bill; but because they wanted further debate on the matter. Doctor Gerard Vaughan, for instance, Opposition spokesman on Health, said in the Second Reading Debate "I would not be prepared to vote for the Bill as it stands at the Third Reading."

Mr Butt totally destroys an entire paragraph in his penultimate paragraph. If he, or any of the Bill's supporters really know of any case where a fetus which would have survived independently has been destroyed, will they please state names and dates. If their case was a good one, would they really need to resort to such emotion and scandal?

May I also point out that both Sir Bernard Braine and Mr William Benyon are members of the Society for the Protection of Unborn Children, which is committed to abolishing legal abortion altogether.

Not anti-abortion hard liners indeed!
Yours faithfully,
CAROLINE WOODROFFE, Chair-
man, Brook Advisory Centres,
233 Tottenham Court Road, W1.

From Dr Tony Smith
Sir, Whatever the causes of MP's support of Mr Benyon's Bill modifying the Abortion Act, Mr Ronald Butt (article, June 30) cannot claim medical approval for his changes. The DHSS is based firmly on the advice given to it by the Royal College of Obstetricians and Gynaecologists, the BMA, and the Joint Consultants' Committee, all of whom have stated that they see no need to modify the law.

Furthermore the upper limit of pregnancy for termination should not be a contentious issue. In fact, as medical comment on the Bill has assessed, it is now standard practice in most hospitals to set an upper limit of 20 weeks in cases where the grounds for termination refer to the mother rather than the fetus. But there is a growing proportion of cases in which the reason for termination is suspected foetal abnormality.

One of the most welcome medical advances in recent years has been the development of ways of identifying handicapped fetuses early enough in pregnancy for termination to be possible. Unfortunately the crucial tests are not possible until 16-18 weeks, and further confirmatory procedures may be needed. It is a pity that the *Lancet* published results of a nation-wide trial of a blood test to detect spina bifida and concluded that there would often be a rush to complete the assessment in time for abortion at 20-24 weeks. Mr Benyon's Bill, and to longer the difficulty and provides that the upper limit should be 24 weeks in cases where the fetus is thought to be abnormal, but that leaves no margin for error.

Furthermore late terminations are carried out in units with facilities for resuscitation should the procedure result in delivery of a normal, viable foetus. The amendments suggested by Mr Benyon's Bill would appear to serve little purpose, save the obstetricians' purpose of saving the lives of pregnant women. Why cannot their opinion be accepted?
Yours etc.
TONY SMITH,
17 Regent's Park Terrace, NW1,
July 1.

Murdered ambassadors

From Mr David Barchard and Mr Christopher J. Walker

Sir, We are deeply disturbed by the news of the assassination of Turkish ambassadors in European capitals during the last two years. Despite a lack of firm evidence, there seems to be a consensus among many Turks and Armenians that the killings are the work of Turkish extremists and are variously referred to as the "Secret Liberation Army" or the "28th of May Organization". Though one must be wary of accepting such claims at face value, organizations of this kind are clearly responsible for the murder of the Turkish diplomats and also for the bomb explosion at Istanbul Airport on May 29 in which five people died.

The killing of an ambassador is a particularly futile and abhorrent form of terrorism. The present spate of assassinations, if it is indeed the work of Armenian groups, is presumably modelled on events after the First World War, when the Armenian Revolutionary Federation hunted down and killed the former Young Turk leaders who were widely held to be responsible for the massacres of 1915-16.

These assassinations in 1971 and 1972 were personally involved in the events of 1915, and had never been put on trial for their actions. By no possible reckoning can they be held responsible, either individually or as representatives of Turkey, for

events which took place before their birth and indeed before the establishment of the Republic they represent.

Leaving aside the moral issues, it is extremely unlikely that killing ambassadors will achieve anything for the Armenian people today, any more than violence will help the South Moluccans. The persistence of Armenian sentiments at the loss of their traditional homeland is readily understandable, but unlikely that anything will be regained through terrorism today. Rather, world sympathy is likely to be alienated.

The most probable outcome of the present attacks is the further strengthening of racialist political movements inside Turkey and the jeopardization of those Armenians who still live in the country. Conceivably the violence could open the way for a new racial war fought in embassies and cultural centres across the world.

Though it is easy to understand the Armenian sense of grievance and their yearning for an apparent world indifference, we hope that Armenian community leaders throughout the world will appreciate that the present campaign (if indeed it is such) is more likely to damage their cause than to advance it, and that they will stand themselves opposed to the taking of innocent lives.

Yours faithfully,
DAVID BARCHARD,
CHRISTOPHER J. WALKER,
London, SW3,
June 15.

Journalists' closed shop

From Mr Alan Knowles

Sir, I hope that so talented a writer as Mr Bernard Levin does not accept Mr Jonathan Naismond's invitation (letters, June 22) to resign from the National Union of Journalists. Rather do I hope that he will continue to devote some of his energies to ensuring that the union, which represents the vast majority of British and Irish journalists covering every shade of opinion, is fully representative of its members. If he succeeds the union may well survive its present difficulties, caused largely by one particular faction—the extreme left—being disproportionately represented both on its annual conference and at its annual conference.

For those like myself who do not wish to see the fragmentation of journalistic strength and purpose such as occurs in some democratic countries (with virtually a union for every political party) it is of vital importance that the only serious journalistic union in this country does not lose altogether what industrial strength it can muster. And that, in many areas of journalism, seems precious little.

The only way journalists can do

something to improve the abysmal news offered by the provincial newspapers and magazine fields, is by remaining united and being prepared to try to sink the deep divisions that exist in our ranks. The union, which appears to be in a powerful position at the moment, is in fact in an extremely precarious one for the members will not march if false orders are given. I believe the cause of journalists and their readers is in great danger through the folly of political extremists who are prepared to use the machinery and structure of the union for their own bewildering ends.

Journalists have enemies enough, including employers who say they are implacably opposed to the closure while cheerfully conceding it to the print unions, without turning ourselves to pieces. If the NUJ cannot provide an umbrella for the honest and aspirations of such diverse people as Mr Hammond and Mr Levin then its future must be bleak indeed.

Yours faithfully,
ALAN W. KNOWLES, Father,
RSC Manchester Regional
Channel, NUJ,
60 Church Road,
Bolton, Lancashire.

Energy and the environment

From the Chairman of the Natural Environment Research Council

Sir, There is now a general realization that during the next 10 or 15 years world demand for oil will exceed available supplies and that energy sources must change fundamentally by 1990. It is also becoming recognized that renewable and "clean" energy sources (so called) cannot be developed on a scale sufficient to provide more than a token contribution on this time scale. The main requirements of the civilized world are, in fact, for the development of a combination of coal, reserves and nuclear energy. In UK the availability of North Sea oil provides more latitude than is available to other nations, but time is not on our side, for British North Sea hydrocarbon reserves will run low at a time when international competition for supply is greatly increased.

The Department of Energy has produced alternative "scenarios" covering different approaches to this problem. The Department of the Environment has been given the responsibility of coordinating environmental problems arising from nuclear energy development. The Ministry of Agriculture and Fisheries must check marine pollution. The factor which appears to be entirely lacking is Governmental machinery for an overall view for arriving at the right balance between coal, oil and other practical alternatives, having in mind not only resource availability but the differing costs to the community and the effects on all aspects of the environment.

The first requirement is factual data, and as far as the public is concerned, the data are severely inadequate—nor can conventional public inquiries cover a spectrum sufficiently wide for informed decisions.

The National Coal Board is optimistic about the total availability of coal reserves in Britain, but environmental considerations have been taken into account in assessing practicability of development? At what stage will it be possible to compare (for example) the environmental problems of the coal industry with those of the oil industry?

Yours faithfully,
PETER KENT, Chairman Natural Environment Research Council,
Altham House, 27-33 Charing Cross Road, WC2,
June 30.

Bolivian miners

From the Bolivian Ambassador

Sir, On May 6, representatives of the National Union of Mineworkers, the democratically elected body which represents the miners. In these circumstances, its report can hardly have been well balanced. Second, the above mentioned Committee sent a telegram to the Secretary-General of the NUM, expressing astonishment that the NUM had not been contacted when the Bolivian miners themselves were wholeheartedly in support of the British project. This telegram has remained unanswered.

Third, my Government would welcome a visit by a British mission, including representatives of Her Majesty's Government, the Church and the NUM to report on the whole position of human rights in Bolivia, in relation to the proposed project. I can guarantee that they would be allowed to go anywhere and see anyone they wished.

Sir, I am, Yours faithfully,
R. MIRANDA BALDIVIA,
The Bolivian Embassy,
106 Eton Square, SW1.

Soviet secret service

From Mr Gabriel Ronay

Sir, Had Mr R. D. Foot (letter, June 22) read my article of June 13, less curiously he would have noticed perhaps that I duly indicated that Sandor Rado was "Dora" with the use of the title of his memoirs, *Dora's Secret*. But since most primary Western intelligence books refer to the Russian's Swiss network as the "Lucy Ring", I kept to the same to avoid confusion.

The role played by British intelligence in supplying Rado's network with vital military information is far from obscure, as Mr Foot claims. Richard Deacon's solid reference book, *The Russian Secret Service*, confirms it and provides ample proof to put it in the correct perspective.

Constance FitzGibbon, who was herself concerned with the decoding operation at Bletchley, says in her recently published book, *Secret Intelligence*: "Since the Russians would not accept military intelligence from any but their own sources, Ultra and much else was 'fed' to the Russians via the 'Lucy Ring' (NB). Similarly, Leopold Trepper's network was quite separate outfit, as I duly noted that in my article.

As for the missing reference to the recent English translations of memoirs, I feel that there is some advantage in using the original works, not the polished final products. Mr Nicholas Carroll's scoop in *The Sunday Times* (June 19) reveals this. Although the story of "Brezhnev's Czech blunder" was included in the original Czech manuscript of a book, it was omitted from the published work. It came to light now because the manuscript was reread.

I am grateful to Mr Foot for pointing out that Mr Trepper's name was misspelled. It was a regrettable transcription error.

Yours faithfully,
GABRIEL RONAY,
Orchard Road,
Hitcham, N6,
June 22.

Mountain guides

From the President of the British Mountaineering Council

Sir, Today's *Times* (June 28) carries a report from Geneva stating that Swiss and British mountain guides have quarrelled over the competence of their British counterparts who are currently seeking affiliation to the Guides' International Union.

As the licensing authority for British mountain guides, and the governing body of the sport, the British Mountaineering Council can

the reported discovery in north Nottinghamshire? Would the NCB have enough data to enable an independent assessment to be made of the potential involved in working the Balmby coalfield from peripheral localities? Will there be a feed-in from the statutory Agricultural and the consequential losses of agricultural production in the different cases?

Similarly, on the nuclear side, what Government agency will be given the task of planning the unavoidable development in order to minimize environmental damage (of all kinds)? How is a balance to be achieved between the local hazard the reduction in international availability of plutonium residues and other political factors? Who will strike the overall balance? These and other cases? Mr Benn has properly called for public debate on the energy issues. He could serve the public further by ensuring that it is properly informed; that the alternatives are properly documented, so that decisions are taken on a realistic rather than an emotional basis. There is an ancillary need for authoritative assessment and advice in fields where data are uncertain. The factor which appears to be entirely lacking is Governmental machinery for an overall view for arriving at the right balance between coal, oil and other practical alternatives, having in mind not only resource availability but the differing costs to the community and the effects on all aspects of the environment.

The first requirement is factual data, and as far as the public is concerned, the data are severely inadequate—nor can conventional public inquiries cover a spectrum sufficiently wide for informed decisions.

The National Coal Board is optimistic about the total availability of coal reserves in Britain, but environmental considerations have been taken into account in assessing practicability of development? At what stage will it be possible to compare (for example) the environmental problems of the coal industry with those of the oil industry?

Yours faithfully,
PETER KENT, Chairman Natural Environment Research Council,
Altham House, 27-33 Charing Cross Road, WC2,
June 30.

established contact with political dissidents. It did not contact either the Government, COBRA, or the Trade Union National Mining Committee, the democratically elected body which represents the miners. In these circumstances, its report can hardly have been well balanced.

Second, the above mentioned Committee sent a telegram to the Secretary-General of the NUM, expressing astonishment that the NUM had not been contacted when the Bolivian miners themselves were wholeheartedly in support of the British project. This telegram has remained unanswered.

Third, my Government would welcome a visit by a British mission, including representatives of Her Majesty's Government, the Church and the NUM to report on the whole position of human rights in Bolivia, in relation to the proposed project. I can guarantee that they would be allowed to go anywhere and see anyone they wished.

Sir, I am, Yours faithfully,
R. MIRANDA BALDIVIA,
The Bolivian Embassy,
106 Eton Square, SW1.

speaking authoritatively both on the relative merits of Continental and British guides and on the technical competence of the latter.

While it is true that the mountains of Britain lack permanent snowcaps and glaciers, that geological quirk of fate has not inhibited our best climbers, some of whom are guides, from sporting achievement that places them in the front rank of the international guide brotherhood. Indeed our guides have been mercifully spared the tedium of interminable glacier plods, or the equivalent of queue jumping on the Matterhorn, the bread and butter work of most Continental guides. Proportionately British guides operate at a higher grade of rock climbing difficulty by the nature of the terrain of mountain Britain.

For 30 years the BMC has supervised and safeguarded the training, licensing and professional status of British mountain guides and I echo Herr Anderl Heckmayer in stating that they undoubtedly compare with the best of the Continental guides.

Yours faithfully,
ROBERT PITTGREW,
President British Mountaineering Council,
4 Tanton Road,
Stokeley,
Cleveland,
June 28.

Long-distance walking

From Mr R. S. Nichols

Sir, In extolling the virtues of long distance running as a means of avoiding heart disease in men, Dr Tony Smith (June 21) omitted to mention similar benefits to health of long distance walking. As evidence of this I would like to mention W. E. Billivill, a former holder of the London to Brighton and back walking record of 18 hours 3 minutes, and now at the age of 88 walking 12 miles a day along the footpaths of the Chilterns. Fred Redman, former world 10 mile record holder, who two years ago at the age of 64, completed a 100 mile walking race in Australia in 22 hours, only three hours slower than his time for the distance 20 years ago; and T. Lloyd-Johnson, who at the age of 70, completed the Leicester to Mercur 20 miles race in three hours 20 minutes.

In times past, Londoners were reckoned to be good walkers. For the benefit of their health it is to be hoped they will regain this reputation.

R. S. NICHOLS,
116 Member,
Metropolitan Walking Club,
29 Maxwell Avenue,
Mill Hill, NW7.

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Capitalization and week's change

ACCOUNT DAYS - Dealings Began - June 27. Dealings End, July 8. § Comango Day, July 11. Settlement Day, July 19.

6. Forward hearings are permitted on two previous days

(Current market price multiplied by the number of shares in issue for the stock quoted)

Stock	Price	Change	Dividend	Company	Price	Change	Dividend	Company	Price	Change	Dividend	Company	Price	Change	Dividend	Company	Price	Change	Dividend	Company	Price	Change	Dividend	Company	Price	Change	Dividend	Company	Price	Change	Dividend	Company	Price	Change	Dividend	
BRITISH FUNDS					COMMERCIAL AND INDUSTRIAL				INSURANCE				INVESTMENT TRUSTS				LOCAL AUTHORITIES				FOREIGN STOCKS				DOLLAR STOCKS				BANKS AND DISCOUNT				BREWERS AND DISTILLERS			
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1000 Treas 1994-1995	100.00		1.00	1000 Treas 1994-1995	100.00		1.00	1000 Treas 1994-1995	100.00		1.00	1000 Treas 1994-1995	100.00		1.00	1000 Treas 1994-1995	100.00		1.00	1000 Treas 1994-1995	100.00		1.00	1000 Treas 1994-1995	100.00		1.00	1000 Treas 1994-1995	100.00		1.00	1000 Treas 1994-1995	100.00		1.00	
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1000 Treas 2005-2006	100.00		1.00	1000 Treas 2005-2006	100.00		1.00	1000 Treas 2005-2006	100.00		1.00	1000 Treas 2005-2006	100.00		1.00	1000 Treas 2005-2006	100.00		1.00	1000 Treas 2005-2006	100.00		1.00	1000 Treas 2005-2006	100.00		1.00	1000 Treas 2005-2006	100.00		1.00	1000 Treas 2005-2006	100.00		1.00	

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fresh approach
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THE TIMES

BUSINESS NEWS

Equipping oil
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next energy
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Treasury forecasts to 1978 offer only limited scope for early reflation moves

By David Blake
Economics Correspondent

Mr. Healey will receive the final version of the Treasury's economic forecast for 1978 this week. The forecast, which goes to the end of 1978, will set out the options facing the Chancellor.

Although details of the forecast are not yet available, it is believed they will tend to reinforce the prevailing mood of caution within Whitehall about carrying through to an effective agreement in an effort to buy an agreement from the trade union to a further round of pay restraint.

The key element limiting the extent to which the Chancellor can afford to give away money—even if he wants to—is the Public Sector Borrowing Requirement (PSBR). Under the current arrangement, the Treasury must keep the PSBR at or below £3,700 million this year and £3,600 million in 1978-79.

Forecasters have apparently been looking at the impact on the economy of a range of possible increases in average earnings during the coming year.

Although higher wage settlements would mean the payment of more income tax, it seems unlikely that the Government would have to pay higher interest rates on the money it borrows, which would cancel this out in a large measure, leaving little or no net cost to the Treasury.

The situation is further complicated by the fact that the Government has been forced to raise the Finance Bill by Mrs. Audrey Wise and Mr. Jeffrey Archer, who voted with the Conservatives to increase personal allowances.

There are also concerns about the Government's ability to raise the limit of public borrowing allowed by the IMF if coupled with a cut of 2p in the rate of interest on the Treasury's debt, as suggested by the Chancellor in his original Budget speech.

Although the new forecast may make it possible for Mr. Healey to be marginally more confident about the economy, the possibility of either the extra allowances or the cut in interest rate will be opposed by the Government in the House of Commons.

report stage of the Finance Bill

This is particularly likely to be the case if the Chancellor decides to take action to limit price increases by nationalised industries or to produce a new jobs package for implementation in July.

Although the prospects for any big July stimulus are slim indeed, Ministers are known to be aware of the prospects of substantial inflation for next year. By then, the balance of payments will be strongly in surplus on the current account because of North Sea oil and there will, Ministers hope, be evidence that wage settlements have been low enough to avoid a renewed surge of inflation.

The extent to which the Chancellor is convinced that things are going right on these two fronts is likely to decide whether he goes for an autumn Budget, or waits until the normal Budget date next year before acting.

If he can see clear signs that wages are not racing away—and that the rate of inflation is under control—then he may feel there is a case for giving some government hand-outs to show that even when wages are not rising sharply real take-home pay can increase.

There are a number of practical difficulties facing the Treasury in framing any autumn measures. Perhaps the most intractable is that cuts in income tax, which would be a desirable way of helping the economy, would mean a corresponding increase in the Public Sector Borrowing Requirement.

The Government would also have to satisfy itself that any action does not lead to problems with the International Monetary Fund. The easiest way of doing that would be to pay back the money Britain has borrowed.

This might suit the Fund which, in turn, might be able to help other countries in need of funds.

Even if the Government chose to stay within the Fund guidelines, however, it seems likely

that there would be scope for significant stimulus from next year onwards.

Any measures taken in November would have comparatively little effect on total public borrowing during this year, because any tax cuts would be in operation for considerably less than six months.

Also, the PSBR ceiling has to be viewed in the light of the great uncertainties which surround any such estimate. In the forecast drawn up for the Budget, the PSBR was calculated by estimating expenditure and revenue and looking at the difference.

Because both sides of the account are subject to considerable error, inaccuracies in the difference between them can be substantial. Last year, the PSBR was forecast at £1,200 million, but turned out at around £1,800 million.

Officials in Whitehall believe that the days have gone for good when the PSBR turns out well below forecast, but it may not look that way later in the year. Certainly, some of the evidence on the actual borrowing by the public sector will be difficult to interpret because of special factors, such as the money for the British National Oil Corporation and the unpredictable behaviour of local authority borrowing.

Inflation warning: The Government is likely to miss its target of 5 per cent in 1977, and 4 per cent in 1978, unless it takes a far tighter policy than it has at present.

Mr. Healey aims to get the rise in prices down to 13 per cent by December and single figures by the middle of next year. But the stockpiles of goods in the country are running at 14 per cent this year and will stay in double figures throughout 1978.

Phillips and Drew say it would be over-optimistic to expect earnings growth to be below 15 per cent in 1977 and 1978. Mr. Healey's aim is to keep it below 10 per cent.

It points out that when previous pay policies have been relaxed, in 1967, 1970 and 1975, inflation has accelerated, and the peak has been higher than on the previous ones.

Big demand for LSMO issue likely on Thursday

By Ronald Pullen

London & Scottish Marine Oil comes to the market this week at an opportune time, when the new issue business appears to have found a fresh lease of life after the debacle of last year's attempts to float off new companies.

After the warm reception of the British Petroleum share sale, the LSMO shares of the Scottish Petroleum and the City of London Group-placing, the prospect of an undiluted stake in Britain's North-Sea riches is expected to lead to a heavy demand for the LSMO shares when subscription lists open on Thursday, and a good premium on the offer price when deal-time comes next week.

The public is being offered 8.5 million shares at 155p, which values LSMO at £1,275 million. The shares are being offered by the top league of British oil companies after BP and Furness, and some way ahead of Ultramar and Criccieth, which are capitalised at around £600 million.

With existing shareholders cutting back their stakes by 19 million shares in all, the offer of 8.5 million will raise a total of £1,275 million. The stock exchange listing is being sought chiefly to provide the original 220 or so mainly institutional shareholders who clubbed together to buy the shares, with a view to raising a market in the shares, since at the moment they are only dealt in unofficially under rule 163 (21a).

The largest shareholders include Woodhouse and National Corporation, which own 9.3 per cent, James Finlay with 4.9 per cent and General Accident with 4.6 per cent.

LSMO was put together in 1971 as an exploration consortium in the North Sea, and since then has been engaged in a series of smaller errors in the North Sea. LSMO came up trumps in 1974 through its licence on block 3/78 in the North Sea, which is now being developed in conjunction with block 3/3 in the Ninian field.

Along with the interests of Scottish Petroleum, LSMO's combined stake in the near billion barrel field is provisionally put at 9 per cent.

Apart from further development work on block 3/78 on areas unconnected with the Ninian structure, LSMO's main ongoing North Sea interest is block 23/27, where a potentially commercial field has been found. The company also has a number of other oil and gas licences, which it will continue to appraise, as well as long-term plans for other oil and energy related investments.

British aero groups ready for drive on liberated US defence market

By Kenneth Owen
Technology Correspondent

A new drive by British companies to sell advanced technology products for use in United States defence projects, is being backed by the Ministry of Defence.

A memorandum of understanding between the two Governments, the United States is now waiving the notorious Buy American Act, which previously made it almost impossible for British companies to compete.

The memorandum covers co-operation in research and development, production and procurement of defence equipment. It was signed in 1975, but was only recently confirmed by Harold Brown, United States Defence Secretary.

Now the practical implementation of the agreement is being worked out in detail, and the British sales drive into this newly accessible market is gathering momentum.

Senior executives from more than 50 United Kingdom companies have just returned from the first detailed industry briefing seminar held in the United States to follow up the inter-governmental agreement.

The seminar, organised by the Grumman Corporation, makers of many United States Navy aircraft and of the Apollo lunar lander, in Bethpage, Long Island.

Mr. Peter Jeffs, Counselor (Defence Supply) at the British Embassy in Washington, told the delegates that the memorandum of understanding was a major step forward. It represented the only occasion on which the Buy American Act

had been waived on a bilateral basis; it also set the scene for a wider collaboration between America and Europe later.

Mr. Bruce King of the United States Department of Defence said his department was fully committed to making the memorandum work, but such a big change in the United States Government's procurement policy could not be achieved overnight.

Normally, Mr. King said, United Kingdom products would have to be approved to American standards, but the Department of Defence was considering automatically accepting some items which were approved to British defence standards.

Mr. Peter Oran, president of Grumman International, said his company was seeking to establish long-term collaboration with British companies, including joint design and development, not merely subcontracted manufacture.

"It is more important to us to purchase brain power, rather than manpower," he pointed out.

So far the provisions of the memorandum have assisted in notable successes by companies such as GEC-Marconi, Racal and Plessey on American Army contracts. The United States Navy and Air Force have been slower to implement the agreement.

A number of British companies, including British Aerospace, Marconi-Elliott (aircraft electronic systems), Rediffon (flight simulators) and Rolls-Royce (aero engines) were already well established in the United States defence market before the memorandum of understanding was signed.

But in general the substantial price differentials imposed by the Buy American Act were an effective deterrent to non-American companies.

At the Grumman seminar last week, British companies were given the sort of detailed briefing on future plans and projects which up to now have been generally restricted to American suppliers.

They were told how to qualify as a Grumman supplier, how to respond to the formal "invitation to quote", and how to find their way through the Grumman procurement organisation and the American Government regulations.

The new programme is bound to be complicated and may well take a year or more to get through the Congress. Its details, however, may upon announcement have a profound effect on general business and investor confidence and this psychological impact could well play a role in determining just how well the United States economy performs well before the reforms become law.

Statements by Administration leaders in recent weeks have provided clues to some of the main proposals that will be made by the President. When he decided, recently to pry more tax himself than he had before, he said he considered it unfair that high income earners should be able to avoid significant taxes by all manner of loopholes in the tax laws. So a minimum tax seems likely.

Income tax will remain the central part of the new tax system and the Administration has no intention of introducing a value-added tax.

There is unlikely to be a major change in nominal income tax rates, which range from 14 per cent on taxable income under \$500 a year to 70 per cent on taxable income over \$100,000 a year.

As a result of the introduction of a minimum tax and the abolition of several loopholes, most rich people are bound to find themselves paying more.

At present all taxpayers with incomes of \$5,000 to \$10,000 are taxed at effective rates of up to 15 per cent. Almost all those with incomes of between \$25,000 and \$50,000 are taxed at rates of between 10 and 25 per cent. For all of these taxpayers the burden is unlikely to change much.

Many people with incomes over \$200,000 a year manage to pay taxes of under 20 per cent, while hardly any pay the maximum rate of 70 per cent.

Those are the taxpayers who will be hardest hit by the reforms, although they may be compensated by changes in capital gains taxes, with double taxation on dividends, for example, being eliminated.

Such a reform in capital gains taxes could play a major role in stimulating private investment, which is a main aim of the Administration's plan. Also under consideration in this context is the corporate tax rate, increases in the investment tax credit and larger deductions for depreciation on income-producing property.

Carter tax reforms likely to stop loopholes

President Carter's tax reform programme, which will be announced this summer, will almost certainly rank alongside his energy programme as one of the most important pieces of legislation to be proposed in his first term.

The aim of the tax programme, as noted the other day by Mr. Michael Blumenthal, the Secretary of the Treasury, is "to make the American tax system simpler, fairer and better able to foster growth and efficiency in the American economy".

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Frank Vogl

Production till lagging, CBI finds

Malcolm Brown
Economics Correspondent

Improvement in the level of manufacturing industry's activity over the past two months, according to regional reports submitted to the Confederation of British Industry (CBI), has been far from spectacular.

Anecdotal evidence, rather than published official statistics, suggest that in most regions there is little expectation of a substantial increase in capacity utilisation this year, except about the prospect of a pay after July is a source of preoccupation among industrialists.

The regional reports account for an assessment by the CBI of the economy's situation in the second half of the year. In some regions a strong intake of new orders has led to optimism about a continued growth in export orders, but in others a rising demand is reported.

Concern is expressed that declining export competition and profitability could be affecting performance in the second half of the year.

The June monthly trends in industry conducted by CBI indicates that a peak in the rate of inflation has been reached, at least temporarily.

Saudis and Emirates end two-tier pricing

By Roger Wyley
Energy Correspondent

Saudi Arabia and the United Arab Emirates have cleared the way for an end to the two-tier oil pricing system with the announcement of their decision to raise prices by 5 per cent from last Friday.

The decision, reported by the Saudi News Agency from Riyadh, follows last week's statement by nine of the other 14 members of the Organisation of Petroleum Exporting Countries that they would forgo the 5 per cent increase planned for July 1.

Two remaining countries, Iraq and Libya, are not opposed to cancelling the planned July price increase, but wanted Saudi Arabia and the UAE to announce their increases first.

In Vienna last night Mr. Ali Mohammed al-Jubair, Opec secretary-general, said the move meant that the organisation had achieved agreement on a common price for its oil.

Britain's oil import bill, which now costs up to £2m a day, will go up by between 1 per cent and 11 per cent as a result of the Opec rise by Saudi Arabia and the UAE, the Department of Energy said in London last night.

But it is by no means certain that oil companies will pass the latest increase on to their customers in the extremely competitive petrol market.

Since January 1 the price of oil from Saudi Arabia and the UAE has been 5 per cent

cheaper than other Opec countries. Ending this differential plus the cancellation of the planned 5 per cent rise by the other 11 members will bring all Opec prices in line at 10 per cent above last December's levels. It will be confirmed when Opec ministers meet in Stockholm next month.

While cancelling the official 5 per cent rise, Libya and Algeria are expected to raise their prices by 28 cents a barrel during the third-quarter of the year to bring them into line with similar quality oil from Nigeria.

During the first three months of this year the demand for high-quality African oil enabled the three producers from this area to reinforce the quality premiums that are calculated outside the general Opec pricing structure.

Production of North Sea oil should exceed national consumption by 1979, the Bentley Centre for Forecasting states less than a week after offshore output topped 1 million barrels a day, requirements for the first time.

The forecast, slightly more optimistic than the Government's estimate of self-sufficiency by 1980, was made after taking account of the rapid rise in the price of oil.

Mr. James Morrell, director of the centre, writing in the magazine *Accountancy*, says the value of production will rise from nearly £3,000m this year to as much as £10,000m in 1981.

New survey on paint by prices panel

By Derek Harris

So many paint manufacturers are putting through price increases—most of them 12 per cent—that a Price Commission investigation is having to mount a secondary survey in the shops.

At the request of Mr. Hattersley, Secretary of State for Prices and Consumer Protection, the commission is investigating the paint industry's profit margins and prices in the decorative side of the industry. These paints, including supplies for domestic use, represent about 50 per cent of paint production.

The commission had already carried out a price audit, but an additional survey is to be made to update its findings. Most of the increased prices have not yet been reflected in the shops.

The price increases, which are likely to be around 10 and 17 per cent between now and the end of the year.

One of the main reasons for the price increases now going through is that raw material costs, which account for around half the industry's basic costs, went up by 23 per cent during the last financial year.

In the months since then there have been further cost increases among some raw materials.

World Bank loan to India

Washington, July 3.—The World Bank has approved a loan of \$150m (about £88m) to India to finance the development of offshore oil and natural gas fields near Bombay.

The bank said the loan would aid a government agency, the Oil and Natural Gas Commission, in a \$571m project to develop two Bombay gas fields. Eventually, the bank said, the fields were expected to produce up to 140,000 barrels of oil and 2.2 million cubic metres of gas a day.

The bank said production from the fields would eventually allow India to use domestic petroleum to replace about \$16,000m worth of crude oil imports. Plans called for facilities to process, transport, store and deliver the oil and gas production from the sites.

Separately, the bank approved a \$25.5m loan to India, as part of its International Development Association (IDA) affiliate approved a \$7m loan to Cameroon. The credit to Cameroon would aid the African country's efforts to develop and cultivate 100,000 acres, the IDA said.

Dow Jones.

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hose industry wants action on Spanish imports

Our Commercial Editor

Footwear manufacturers want a Department of Trade to intervene in a new round of 20 tariff harmonization measures which the British alders claim favours the Spanish footwear industry.

The Spanish now sell as much footwear in Britain as the rest of the world, and as the profits are high, the British makers are complaining that an 8 per cent tariff barrier against Spanish goods is about to be reduced to 4.8 per cent while the 35 per cent barrier against British exports to Spain is being reduced by 26.25 per cent. But it is being claimed that an additional 10 per cent compensation is being evaded by the Spanish, plus the continuation of a surcharge which was supposed to have been temporary.

He notes that British exporters are a barrier of around 10 per cent, the British makers

US may have a record maize crop

From Our United States Correspondent

Washington, July 3
America may have a record maize crop this year as well as an extremely large wheat crop, according to Mr. Howard Hightower, chief economist at the United States Department of Agriculture.

The new figures, which are the first official planting survey results, indicate that maize production is likely to be between 5,400 million bushels and 6,500 million bushels; and Mr. Hightower said at a press conference that, if the weather remained good, the final figure could be in excess of last year's total of 6,216 million bushels.

Mr. Hightower said that American maize production for 1977 compared with 1976, should rise by about 6 per cent. New data suggest that this prediction might be slightly on the high side.

He pointed out that fully 60 per cent of all retail food prices registered so far this year were due to imported food

and fish products—particularly coffee.

He said that latest reports from abroad did not suggest that there would be exceptional foreign demand for United States grain this year, although several small countries would probably be buying more than usual and the Soviet Union would be a purchaser.

A Department of Agriculture team has just returned from the Soviet Union and reported that winter wheat yields there of 5 to 10 per cent above last year were possible if the weather proved favourable and that a larger acre would be harvested this year than in 1976.

New United States planting figures show that maize planted for all purposes totals 82.7 million acres. This is down 2 per cent from last year, but 6 per cent above the figure for 1975.

Accretion for grain, at 70.8 million acres, is down 0.4 per cent from 1976, but is 5 per cent above the 1975 level.

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Lending rate 8 pc

The Bank of England's minimum lending rate remains unchanged at 8 per cent this week. The following are the results of Friday's Treasury Bill tender:

Application:	£m	£m	£m
1st	1,500	1,500	1,500
2nd	1,500	1,500	1,500
3rd	1,500	1,500	1,500
4th	1,500	1,500	1,500
5th	1,500	1,500	1,500
6th	1,500	1,500	1,500
7th	1,500	1,500	1,500
8th	1,500	1,500	1,500
9th	1,500	1,500	1,500
10th	1,500	1,500	1,500

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Business appointments

Sun Life Assurance names new director

Mr R. C. Pryer has been appointed to the board of Sun Life Assurance.

Mr G. N. Mobbs has been made chairman of Charterhouse Group. Mr R. T. Hardwick, Mr R. B. Hope and Mr L. W. Skelton have become directors of Associated Minerals Consolidated and Mr Hardwick becomes managing director. He succeeds Mr J. F. Finter, who continues as a director. Mr S. L. Segal resigns from the board.

Mr J. N. W. Dudley has been appointed to the board of Caterpillar.

Mr A. H. Atkinson is the new chief executive of Brabey Leslie.

Mr Jon Foulds, a director of Finance for Industry, becomes group general manager, following the retirement of Mr Paul Hildesley, who remains on the board.

Mr J. Y. Cleator has been appointed chairman of Fenner International.

Mr T. O. Hanchison joins the board of Oceanic der Gristen Finance.

Mr Malcolm Argent has been made director of the Post Office's eastern telecommunications region. He succeeds Dr E. M. Knight, who has retired.

Mr Eric Lombard Knight has joined Young Advertising as chairman.

Mr Bryan Jefferson, of Jefferson, Sheard and Partners, becomes president of the Concrete Society.

Mr A. A. Scott-Jones has been appointed a director of R. F. Martin Sterling.

Mr Alan Norman becomes deputy chairman of Montfort (Knitting Mills).

Mr Edmund Wood has been appointed to the board of Wilson Bros as financial director.

Mr Peter Wright has been named joint managing director of The Windsor.

Mr C. F. Smale becomes a member of the British Overseas Trade Board.

Five new international directors have been appointed to the main group board of CHG Computer Management. They are Mrs Barbara Ward, Mr Nick Schofield, Mr John Grittis, Mr David Groom and Mr Cor Steinhilber.

Mr Peter Davy, county surveyor of Norfolk, has been elected president of the Institution of Highway Engineers.

Mr John Bailey becomes director of the Office of Fair Trading's legal division in succession to Mr Michael Ware.

Three new directors have been named by Afris Plastic—Mr Frank Harding, Mr Len Smith, and Mr Robert Wilson.

Mr Gordon Peters has been made a director of Goodwick West.

Mr David Tinkler has become a director of Kwikash.

Mr C. H. Spencer has retired as a joint managing director of Spencer Gears (Holdings), and also as chairman of Spencer Gears. He remains on the board of Spencer Gears (Holdings).

Mr J. W. L. Schofield continues as a joint managing director of Spencer Gears. Mr C. H. Poulton becomes director of Spencer Gears. Mr J. H. Robinson, a director of Spencer Gears (Holdings), has been appointed a joint managing director of the group. Mr J. G. Hurst joins the board of Spencer Gears (Holdings).

Mr B. P. Gurnett has been elected a non-executive director of Provincial Landlords.

Mr Maurice Vass has been appointed managing director of Windsor Safari Park.

US car makers set for record autumn output

Detroit, July 3.—American car makers buoyed by robust sales for most of their models, are planning record output in the third quarter, 12 per cent higher than a year ago.

The ambitious production plans reflect Detroit's belief that the present brisk pace of new car sales will continue for the remainder of the 1977 model year this summer, and through the introduction of 1978 models in the autumn.

To achieve their production goals, car makers will attempt to build as many of their most popular models as they can over the next month or two before they close some plants to prepare for assembly of 1978 models.

That strategy continues a pattern set all year in which the big three manufacturers have repeatedly provided Saturday overtime at their plants where better-selling intermediate and big cars are built.

In addition, the industry is planning some heavy production of 1978 models later in the quarter. It has scheduled a quick close-down of tooling—in some cases only lasting over a weekend—at plants where new models are little changed from previous ones. Even at a few plants where models are completely changed, car makers are hoping to minimize the longer close-downs that will be required so they can build dealer inventories by the time new

models are introduced in September.

Importers warn: A potentially controversial study commissioned by foreign car importers in the United States concludes that a sharp consumer swing from foreign to American-built cars would result in a net loss of American jobs and the closing of hundreds of businesses.

The findings, by Bartelme House, a Boston consultancy, contradict generally-held beliefs that large sales gains by imports in recent years have come at the expense of American jobs.

The study does not dispute claims by the United Auto Workers that members employed by American car makers have lost jobs through greater sales of imports—a position affirmed by the Labour Department.

But the study notes that jobs lost in manufacturing are more than compensated for by increased employment in the import industry—ranging from dock workers to car salesmen and mechanics.

Foreign car sales are up more than 50 per cent from last year, while domestic sales have increased only 6 per cent. As a result, imports now account for nearly one in every five new cars sold in America.

Researchers, using 1975 data obtained from questionnaires sent to a sample of import dealers, concluded that more than 127,000 people are directly employed by importers, distributors and dealers. That excludes employment concerned

with "captive" imports—cars built overseas but distributed in the United States by American car makers.

Air-bags ordered: Mr Brock Adams, American Transportation Secretary, has ordered air-bags or other "passive restraint" safety devices in new cars to be introduced during the 1982-1984 model years.

Mr Adams said that he decided to require the controversial and long-delayed air bag on all cars sold in the United States because "too many people have needlessly been injured or killed in crashes where passive restraints could have saved them. I cannot in good conscience be a party to further, unnecessary deaths."

Although Mr Adams's decision is a victory for those who have sought the air-bag requirement, it is not the final word. His order is subject to approval by Congress, and car makers will probably go to court to block it.

Mr Adams ruled that car makers must equip full-size cars with passive restraints starting with 1982 models, intermediate and "compact" models in 1983, and small cars beginning with the 1984 model year.

Passive restraints are devices designed to protect occupants in collisions, without the need for occupants to take any active step, such as buckling belts.

The air-bag, which automatically inflates in a crash, or passive belts, which are attached to the front door and automatically fold across front

seat occupants when the door closes, have been tested and meet the Government's requirements, Mr Adams said.

About 11,000 cars are already equipped with air-bags and about 60,000 Volkswagen Rabbits are equipped with passive belts.

Car makers have estimated that the air-bag would cost between \$200 (about £115) and \$300 a car. But the latest estimate by Mr Adams's department is that the mass-production cost would be about \$112, while passive belts would cost about \$25. The passive belt has more limited uses than the air bag, because it is suitable merely for cars that accommodate only the driver and one passenger.

Transportation Department sources said a gradual introduction was being adopted to avoid a more costly straight switch. Other considerations are a desire to work out any technical problems that might be uncovered during the phase-in and to provide time to develop an air-bag system for smaller cars, instead of passive belts.

Mr Adams said the introduction of air-bags will carefully synchronize the "orderly production of the totally new American car of the 1980s, one that will be safer, cleaner and more economical."

He recently ruled that new car fleets must meet tight fuel economy targets between 1981 and 1984. Meantime, Congress is moving to limit car pollution.

—AP-Dow Jones.

North Wolds will fight for development status

Industry in the regions

Seldom can a government announcement have been greeted with more righteous indignation than that of April 14 this year when the people of the North Wolds in the Yorkshire and Humberside region realized they had been excluded from the development area status awarded to parts of north and south Humberside.

To the south of the Wolds, Heston and Beverley, incentive-laden grandeur, while to the north is an existing development area taking in a coastal belt about 15 miles wide from south of Scarborough to north of Whitby.

The corridor of the Wolds including Flax, Bridlington and Driffield, where industry is either thinly distributed or non-existent and unemployment is high, is the neglected filling in an unpopulated economic sandwich. It is no consolation that a vast tract of north Yorkshire away to the north and west taking in Malton, Pickering, Thirsk, Northallerton, and Richmond areas, was at the same time downgraded from development area to intermediate area status, which the Wolds itself at present enjoys.

The charge against the Government is neglect by omission and local authorities led by the North Wolds District Council based in Bridlington are determined to put up a fight for inclusion in the development area. The Yorkshire and

Humberside Economic Planning Council, which is sympathetic to the economic problems of the area, is to travel to Bridlington on Thursday to obtain first-hand details and discuss the case for development area status.

On July 19, a strong deputation from North Wolds will meet Mr Alan Williams, Minister of State for Industry, and Mr Michael Meacher, Under Secretary of State for Trade. On July 25, a deputation will meet Mr Mark Hogg, chairman of the English Tourist Board, to point out the disadvantages of the position in which North Wold now finds itself.

From the tourist's angle, the first grave disadvantage is that because it is not part of a development area, Bridlington, Flax, Flamborough, and other holiday spots do not qualify for grants under the Development of Tourism Act, by which hotels may be refurbished, holiday projects financed, and other means of attracting tourists promoted.

Mr John Gibson, North Wolds District Council chief executive, points out that east coast competitors like Whitby, Scarborough, Hornsea, Withernsea and Cleethorpe are all in the development area and enjoy the benefits of the Act. To rub salt into the wound, Mr

Gibson adds that the English Tourist Board is to make available £3m over the next three to four years for what are deemed "fragile" areas. Scarborough, Bridlington's chief competitor, has been so designated. "It borders on the ridiculous," Mr Gibson said.

The other major problem is unemployment and the need to attract new industry. In the past 10 years there has been an 80 per cent increase in male unemployment in the Bridlington travel-to-work area. A matter of major concern is that for many years in the past those people unemployed in winter at Bridlington could safely count on finding employment in summer when the holiday season started.

Mr Gibson explained: "Trends show that unemployment is now a problem all year round, not only for this council, but for the Humberside County Council as well. We have the support of the Yorkshire and Humberside Tourist Board, the interest of the Economic Planning Council, and the support of the Yorkshire committee of the Council for Small Industries in Rural Areas."

The principal yardstick for granting assisted status has always been the unemployment percentage. In mid-June, the Bridlington figure was 7 per

cent, and Scarborough 5.5 per cent. It will be argued, no doubt, that numbers count and not percentages, and Bridlington has the higher percentage.

North Wolds will equally point out that you cannot have it both ways, and that Whitby, which is a development area, has 10.6 per cent unemployment and only 569 unemployed, considerably fewer than Bridlington.

For that matter, the northern region which enjoys development area status has only 115,518 unemployed, for its 8.6 per cent figure, while Yorkshire and Humberside has 117,682 unemployed for 5.7 per cent. Yorkshire and Humberside has, in the greater part, an intermediate area.

One may play with percentages and actual numbers. What really matters is whether the Government can afford to dole out more money for deprived areas like North Wolds. One is forced to the conclusion that the instance of being excluded from the development area the North Wolds appears to have had, a raw deal.

If development area status is not given and tourism grants and enhanced industry incentives pass them by, then the North Wolds will decline with increasing rapidity, while neighbouring areas will, if not prosper, at least hold their economic own.

Ronald Kershaw

LETTERS TO THE EDITOR

Cause for concern over the new Atlantic air services pact

From Sir Peter Masefield Sir, While it would be ungenerous not to pay tribute to our neighbours in their valiant hunting of an elusive air transport snark, following Britain's unilateral determination of the Bermuda Agreement on Anglo-American air services in the event it is clear that (like the earlier Lewis Carroll adventure) "the bowsprit got mixed up with the rudder, sometimes when a vessel is, so to speak, snarked."

How "snarked" it was to clear from the reports of the agreement which has come from the unwise exposure of hardly won principles to an all-but-are of "kerfuffle" with the most powerful nation in the world. Contrary to the initial euphoria about the outcome, what has emerged can now be seen as a catch-as-catch-can settlement in which—in return for a few significant gains—British air transport will be substantially worse off, while some of the broad ground rules for international air transport, enshrined in Bermuda Mark 1, are undermined.

Because of the importance of Bermuda Mark 2 to every nation's air services—and most of all to our own—there ought to be no misunderstanding or glossing over of the factual position.

The more important gains in Bermuda Mark 2 include the opening up of new routes across the North Atlantic; within five years some relatively small rationalization of fifth freedom rights into Europe; a move towards agreeing a relationship between

capacity and traffic (though with no reference to load factors) and an updating of procedures for the setting of fares and rates.

Against this there has been a disturbing retreat from the principle of a fair and equal opportunity for the carriers of the two nations, to the advantage of not only the United Kingdom, but also many small nations to whom Bermuda Mark 2, like Bermuda 1, will be taken as a guide.

There are a number of causes for concern—but to take only four:

1 It is clear that the new agreement gives away substantial on-flying rights to points beyond the United Kingdom, together with continued authority for airlines to make "a change of gauge". For example, for United States carriers to base smaller aircraft in London to carry onwards traffic to third countries, thereby justifying higher frequencies by American airlines than London than United Kingdom carriers can justify into the United States, from which "points beyond" are few and strictly limited.

2 Among the new "gateways" in the United States, two—Atlanta and Dallas/Fort Worth—are for the next three years to be reserved for non-stop services to London, exclusively to United States carriers. By contrast, the value of the non-stop Houston-London route, allocated for three years to the United Kingdom, is reduced by a parallel United States cargo service and by the exclusive non-stop rights granted to a

United States carrier Dallas/Fort Worth near by extraordinary means. An American carrier is to be granted a virtual monopoly for scheduled services from an unnamed national point in the United States to London. And this in the face of fair and equal opportunities principle.

3 The proposed Laker Skifares are, apparently, matched by United States scheduled airlines out of Heath on a stand-by, fill-up basis more than competitive in which is bound to pre-empt Skytrain's economics.

4 Notable by its absence is but a passing reference to charter services—one of the causes for airlines losses on North Atlantic.

AM in all, after the car mistake of revoking, instead amending, Bermuda 1, it is clear that great pressure is being put on the British delegation during final all-night session on 20-21 in Lewis Carroll's cause of the hope of a Bermuda Mark 2?

"In the midst of the law, softly and suddenly to vi-

For the Snark was a Bo-

Yours faithfully,

PETER G. MASEFIELD, "Rosehill", Doods Way, Reigate, Surrey, RH2 0JT.

'Absurdity' of current cost accounting

From Mr A. C. Webb and others Sir, The undersigned wish to encourage all chartered accountants to vote on the resolution against current cost accounting and not to allow the views of the membership to be clouded by apathy.

We would strongly urge all chartered accountants to vote for the resolution and would comment as follows on the points made by the Institute in the circular issued to members on June 9, 1977.

1 Historic cost accounts can mislead if the effects of inflation and other factors are not considered. However, they are a factual record of transactions that have taken place. Current cost accounts will also mislead but it will be much more difficult to work out the effects of the various factors particularly as current cost accounts are not based on facts but hypotheses. The quality of industrial accountants must be very poor if British management is as the Institute suggests seriously misled by historic cost accounting.

2 Historic cost accounts are not adequate if properly presented. Parliament has certainly not accepted current cost

accounting and the Government only became involved because the Institute was pressing CCA accounting.

3 Current cost accounting will never be accepted because it is based on false premises which will be clearly seen if and when it is used in practice.

4 If a voluntary system would not work it is obvious that CCA, which is imposed, will not give further information to help adjust sharehold equity by a transfer from a value of money. Companies have been doing this on an arbitrary basis for years and perhaps the basis of the calculation should now be discussed in the accounts.

A vote for the resolution for from barmy the profession will show that within the membership there is still a strong hard core of sound common sense.

Yours faithfully,

A. C. WEBB, FCA, W. M. BARRITT, FCA, D. N. LEBMAN, MA, ACA, D. F. HILL, ACA, B. JONES, ACA, 12 Cyncoed Crescent, Cymcedd, Cardiff.

Enough money has already been wasted in discussing CCA and underused Sandilands ED 18 should be convincing the merit of historic cost accounts and of the absurdity in practical terms current cost.

We would suggest that the right approach is to consider giving further information to help adjust sharehold equity by a transfer from a value of money. Companies have been doing this on an arbitrary basis for years and perhaps the basis of the calculation should now be discussed in the accounts.

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Professional engineers and the TUC

From Mr W. A. Deller Sir, Eric Wigham makes unjustified and questionable assertions when he says that "managerial and professional workers... affiliate to the TUC when they can" and "it is clear that managerial and professional workers... would like to be in the TUC."

As a professional engineer, I believe that the inadequate

levels of status, rewards and man-utilization in the engineering profession can be attributed to a collection of policies and attitudes which directly correlate with the rise in power of the TUC.

I believe, and so do many other professional engineers, that there is no way in which the elevation in status of professional engineering in the wealth-creating manufacturing

sector—which is a prerequisite for the effective employment of British technological expertise and of economic recovery—can be reconciled with the policies and attitudes which are presently associated with the TUC.

Yours faithfully,

W. A. DELLER, 2 Burroughs Crescent, Bourne End, Bucks. June 29.

"Reconstructed Tunnel Group performs encouragingly in severely depressed conditions"

reports Tunnel Holdings Chairman J.D. Birkin on the year ended 27th March 1977

"Having regard to the prevailing conditions in the building materials and construction industries and the particularly difficult circumstances facing the Cement Division's operation during the year, the Group results are considered satisfactory. What had been a poor trading year in cement up to Christmas 1976—accentuated by the appalling weather in the autumn—collapsed into a disastrous three month period at the beginning of 1977 when national deliveries dropped by 15% to give an average fall of 9.25% for the year which ended in March.

However, the resultant effect on trading profits was offset by increased contributions from associated companies along with interest earned, and the final pre-and post-tax results were very marginal improvements on 1975/76.

The economic outlook for the U.K. Construction Industry will undoubtedly be one of continuing great difficulty. The Group, however, will benefit from the positive steps taken in the recent past together with the expected progress of our associates at home and abroad. Providing there is a sensible climate within the U.K. for both industrial relations and pricing control, a reasonable Group performance should be possible for the year as a whole."

	1977	1976
Group Turnover	£52,991,000	£49,959,000
Profit before taxation	£6,473,000	£6,274,000
Profit after taxation	£3,373,000	£3,271,000
Earnings per share (before extraordinary items)	28.5p	27.7p
Earnings per share (after extraordinary items)	30.8p	16.7p
Dividend per share	9.7550p	8.8682p
Profit retained	£2,471,000	£917,000

The 68th Annual General Meeting of the Company will be held in London on 27th July 1977.

Salient points from the Report & Accounts:

- Tunnel Cement Ltd. in main traded effectively despite nationally adverse conditions and unusually complicated company circumstances.
- Home and Overseas Associates all performed well and show considerable growth over the previous year.
- Overseas investments were strengthened and contributions to the Group's pre-tax profits approached the £1 million level.
- International rights acquired in unique 'Sealosafe' chemical process for the conversion of hazardous and toxic industrial wastes into a harmless non-polluting synthetic rock. Home and overseas companies formed for worldwide development.
- First waste management plant will start operations in the South East early in 1978. Other projects at home and abroad are being actively pursued.
- Start made on maximisation of development potential of old West Thurrock cement site of which the waste management plant is a significant step.
- Other avenues of expansion into suitably related areas being explored to secure broader spread of interests whilst continuing full support of traditional base.
- Strong balance sheet maintained. Liquid resources increased by £708,000 to £9,503 million.
- Maximum permitted dividend recommended, three times covered, totalling 9.7550p per unit for the year, leaving £2,471 million retained.

Copies of the 1977 Report and Accounts may be obtained from The Secretary, Tunnel Holdings Ltd, 16 Old Queen Street, London SW1H 9BT.

Independent central banks 'more responsible'

The Bank of England should be made at least as independent of government influence as central banks in the United States and West Germany, it is suggested in a paper by Mr William Rees-Mogg, editor of The Times, which is published today by the Institute of Economic Affairs.

The author argues that experience has shown that countries where central banks are independent such as Germany, Switzerland and the United States are more successful in handling money supply responsibly than nations such as Britain, France and Italy, where the banks are under government control.

It is essential that the authorities should enter into a commitment to control money supply which is firm enough to change expectations about the future course of inflation, Mr Rees-Mogg says.

The paper contains a discussion of the role that monetary theory has played in economic thought, tracing its development from Aristotle through Hume to Keynes and on to Professor Milton Friedman.

It argues that the inflationary consequences of pursuing what are traditionally called "Keynesian" policies lead to the destruction of the full employment which they are designed to create.

The paper is based on a lecture given at Bath University in January this year.

"Democracy and the Value of Money: The Theory of Money from Locke to Keynes" by William Rees-Mogg, Occasional Paper 53, Published by the Institute of Economic Affairs, 2 Lord North Street, SW1L Price 50p.

Farm exports up 14pc this year

By Hugh Clayton British exports of farm chemicals, animal feeds and eggs in the first five months of this year were worth 50 per cent more than in the 1976 period. Figures issued yesterday by the British Agricultural Export Council on the eve of the Royal Show, put the increase for all farm exports at 14 per cent, a total of £750m, with tractors and accessories making up more than a third of the total.

Powell Duffryn: record profits in an exciting year

Years ended 31 March	1977	1976	% Increase 1977 over 1976
	£000	£000	
Turnover	303,376	248,409	22.1
Trading Profit	14,833	10,224	45.1
Profit before Taxation	13,689	9,548	43.4
Net Earnings of the Year before Extraordinary Items attributable to Ordinary Shareholders	6,793	4,794	41.7
—per share in pence	26.6p	18.8p	
Ordinary Dividends	1,991	1,810	10.0
—per share in pence	7.803p	7.094p	
Dividend cover (full distribution basis)	3.4 times	2.6 times	30.8
Net Assets Employed	85,482	76,030	12.4
Return on Average Net Assets Employed	17.8%	13.7%	29.9

Prospects for the current year
"With a projected sizeable increase in turnover, together with the Board's plan for a considerable uplift in our capital investment programme, there is no shortage of optimism in the Group."

Sir Alec Ogilvie, Powell Duffryn Chairman

Powell Duffryn

The parent of a broadly based Group of Companies engaged in manufacturing, contracting and service activities principally related to the construction, energy and transportation industries.

(Copies of the Report and Accounts are available from The Secretary, Powell Duffryn Limited, 5 St Albans Gate, London, W1T 5LA)

BY THE FINANCIAL EDITOR

Conflicting pressures on the market

Oil and auctioneers have almost totally dominated the stock market for the past few weeks. But there is little sign that the success of recent issues is going to draw out further hashings of new issues for the stage to get their teeth into.

The general feeling, in fact, seems to be that markets may well do little more than sink back into a deep summer slumber for the next few weeks. That remains to be seen. The hope in early June, of course, was that once BP was out of the way funds would be released to generate a modest run-up to a mini-Budget in July.

But the attempt at a rally at the time of the BP marketing quickly fizzled out and, although the market still seems firm enough underneath, hopes of a mini-Budget before the autumn have been rapidly receding.

A mini-Budget, whenever it comes, is in any case of relatively little importance. The big question is the degree to which the benefits of North Sea oil can be turned to the longer term advantage of the economy as a whole, justifying the next big leap in the FT index to a new base above the 500 level.

Ideally, some clearer idea is needed of the longer term strategy for using the oil bonus. But with the Government now committed to electioneering, it is far from certain that the market will be getting that kind of message, at least directly.

More probably, the market is going to have to play it by ear. Putting aside the continuing doubts about trends in the international economy and the ability of the Government to survive the winter, there are two factors that investors are going to be watching especially carefully over the coming months.

One is obviously the kind of wage settlements that emerge as we move out of Phase Two. This will be watched particularly closely by those who doubt that money supply controls are, in fact, an adequate safeguard against a resurgence in inflation. The other is the way in which the Treasury and the Bank of England attempt to control the exchange rate, the money supply and interest rates.

Indeed, perhaps the most fascinating development of all is going to be that of the performance of sterling. Will the pound, in fact, adjust downwards to allow for Britain's relatively high rate of inflation? Or will the weight of the balance of payments surplus in the final quarter be exercising extreme upward pressure on the parity?

If it is the latter, and the Government still believes that the pressure must be resisted, or largely resisted, to keep exports competitive, then the implication should be sharply lower interest rates—and higher security values—but tremendous potential uncertainty about control of the money supply.

Accountants

The shadow of Government

It was a bemused Institute of Chartered Accountants which met in Cambridge for its annual conference last week. The inflation accounting strategy is in shreds as a result of the heavy poll which has already been received ahead of the special meeting on Wednesday against its compulsory implementation. Consequently, the profession is still trying to work out exactly what hit it and why.

What it is worried about is the next blow to be delivered by the Government. The amount of attention which has been focused on accountants initially as a result of a couple of spectacular failures and inadequate audits has increased sharply with the inflation accounting debate.

The profession may know where it is going, but it certainly has not looked that way to outsiders and the fear is that unless it sorts itself out quickly the government will do the job for it, ending the accountants' highly valued independence once and for all.

It may be that the chairman of the Professional Auditing Practices Committee, Mr Richard Wilkes, is on the right lines when he says that one of the reasons why accountants are under attack is that the role of the auditor is not adequately understood.

But it is clear to many accountants that whether it is understood or not, auditors are not thought to be doing the job they should and there is no surer way of increasing the possibility of outside regulation

than by being thought to be failing to check adequately the accounts produced by public companies.

It is no responsibility of auditors at present to comment on the management skills of a company. Their function is simply to assess whether the accounts produced by directors and which remain the responsibility of directors are a true and fair view of the period reported on and comply with Companies Acts.

The current debate questions both whether this is enough and whether it is being done properly. In any way the profession has made a rod for its own back by



Mr Douglas Morpeth, chairman of the Inflation Accounting Steering Group.

trying to perform its function better and producing standards for the treatment of various items in accounts.

The more complex problem is whether auditors should also comment on the performance of a company. For many shareholders it matters little that an auditor believes the accounts to be true and fair for they lack the expertise increasingly needed to interpret what the accounts tell them anyway.

LSMO

Questions of valuation

For all the mouth-watering projections in the London & Scottish Marine Oil prospectus, the overriding factor that investors must always bear in mind is that North Sea investment is a highly speculative pastime.

Admittedly, the sponsors have liberally sprinkled the document with all the necessary warnings about future oil prices, production delays and so on. Even so, prospective investors need also to look at the attitude of the bankers who recently put together a £30m loan for LSMO's share of the Ninian development since these canny folk have demanded a full 2½ per cent margin over LIBOR.

And of course on any normal criteria for equity investment, LSMO would get short shrift with losses of up to £16m by the end of 1978, a deficit of shareholders funds developing next year as well, no reliable profit forecast and not even the promise of a dividend until 1980.

Set against that, however, is the potentially rich harvest to be reaped from the North Sea for the lucky few. And with its 9 per cent Ninian stake there is no doubt that LSMO falls well within that category.

None of this will worry the stags this week who will see the opportunity of a straight stake in the North Sea as being too good a chance to miss. Yet for the longer term investor, the crucial question is more complicated, and that is what precise value can be put on the LSMO shares.

One way would be to base the valuation entirely on Ninian, even though the profit illustrations make that difficult enough without such maverick factors as the slippage already on the project or Government flats such as have upset Shell and Esso's development of the Brent field last week.

Even so, taking a line through the oil production stock, LSMO shares look to be worth between 140 and 150p while if interest on its cash balances and the stake in block 23/27 is taken into account an asset value of more than double that figure is not too wild a flight of fancy.

Where LSMO scores over other North Sea speculative stocks is in the fact that it has actually found oil and has already shown its financial skill in arranging a huge amount of borrowings on nothing more than promise.

Small investors may come out in force initially but LSMO still looks too specialized to make it other than an institutional vehicle longer term. Meanwhile, success of the launch is likely to spill over into Cawoods, National Carbonising and James Finlay given their stakes in the company.

It is still extraordinary, looking back on it, that it should have been a Conservative Government that first introduced a price code, the most detailed system of interference in the workings of the free market sector in peacetime.

A free price policy is, or at least in theory ought to be, the heart and soul of that sector. Yet the original Heath price policy was based on the assumption that prices should be handled as if the whole of the private sector was a public utility, subjected to the regulations and constraints normally associated with them.

The gap between political and economic reality in pricing has since almost everyone, pace Mrs Sally Oppenheim, would agree that it has been put in its place.

For all the huffing and puffing between the Government, the TUC and the Confederation of British Industry,

the fact is that there has been little discussion of the principles on which a price policy should be operated in the longer term. This is not surprising for the issues involved are intellectually far more difficult even than they are politically.

And already the politicians have had to deal sufficiently with the political aspects.

Most serious people now accept that there has to be some long-term involvement by government agencies in the field of prices and monopolies in order to prevent abuse, encourage efficiency and protect the interests of consumers. In an ideal world competition between producers would create such a balance.

But an ideal world does not exist. Further, the growing involvement of government in commerce and industry, symbolized by the Whitehall concept of "corporatism", means increasingly that the government of the day is in practice taking the side of the producer rather than that of the consumer.

The locus classicus of this was the

Hugh Stephenson

Paying due attention to prices

Issue of the recent merger between Tate and Lyle and Manbrot and Garbin where the concerns of the Ministry of Agriculture, Fisheries and Food and the Department of Industry for an effective reorganization of the cane sugar retailing industry took total precedence over any potential monopoly that might be created in the production of glucose and starch in the United Kingdom.

The Monopolies Commission has not proved an effective instrument of protection of the public interest in these areas, because its proceedings are slow, because the statutory concept of a monopoly is often too narrow, and because it has developed no coherent philosophy.

The Office of Fair Trading and the Government in general have seemed to be operating on the principle that anyone who makes below-average return on capital employed is virtuous, while anyone who makes more is prima facie guilty

of profiteering and should be investigated.

The old Price Commission under Sir Arthur Cockfield, has established the advantage of its operation, and within the terms of an assumed framework. It had the weakness that the framework was statutory and not economic and there was some criticism of the quality of its special investigations. The hope must be that the new Price Commissioner will establish itself as a more flexible and effective instrument than others operating in this field in the past.

This will only come about if it is explicit and consistent in justifying the criteria under which it operates. The fear, particularly because of political indications from Mr Roy Hattersley, the minister responsible, is that the whole issue will be taken back into the realm of ad hoc decisions, political expediency and consideration of each case on its merits. If such a tactic is deployed we shall know the issues are not being faced seriously.

Towards a fairer system of local authority finance

The Government's Green Paper on Local Government Finance (Cmd. 6813) proposes a reform of rate support grant: the main subsidy paid by central government to local authorities which would signifi-

cantly change the relationship between councils and their ratepayers as well as changing the distribution of the rate burden between different parts of the country.

The present system of rate support grant is based on broadly reasonable principles, but these are not made explicit and are implemented in an incomplete and obscure manner. Nor was the confusion surrounding the finance of local government cleared up by the lengthy report of the Layfield Committee, published last year.

The main proposal in the new Green Paper is to introduce a logical and explicit system for the rate-support grant which will be transparent to the public as well as to local and central bureaucracies. This is a courageous proposal because it will expose the financial decisions of local authorities to public scrutiny and criticism.

The new proposals for allocation of the grant ought, in our view, to be judged fair as between different local authority areas—with the important exception that rateable value which is an uneven measure of taxable capacity, would continue to be used as the basis for equalization between areas.

Under the present, confused, system the inequitable effects of basing the grant on rateable value may have been partly mitigated by the obscure internal bargaining process which influences distribution of the grant each year. Under the new more logical system the error is potentially serious because its consequences are likely to be implemented in full.

The essential principle of the new system is that there will be a single, standard rate poundage which ratepayers in each area should expect to pay. The local authority services in that area were provided to a uniform national standard. The ratepayer will know what this standard rate is and will therefore be able to judge immediately if his or her rate demand is above or below it.

If the rate demand is higher (or lower) than the standard, the ratepayer will know that local government authorities responsible for the area have decided (as they are entitled to do) to spend more (or less) than would have been necessary to provide the national standard of service. The "standard" expenditure of each authority will be known and published, so that it will be possible to identify precisely how much the authority is spending above or below the norm.

The significance of all this is that electors will be able to distinguish central government decisions on norms for rate poundages and for local expenditure from local authorities' decisions on whether to spend more or less than the national norm. If local expenditure differs from the national norm, local rates will be varied by a proportionate amount.

The scaling of this variation, which will also be explicit, provides the central government with a mechanism for influencing local authority spending. For example, if central government wishes to discourage local authorities from spending more than the national norm, it will be able to set the scale to such a way that extra spending requires a large proportionate increase in local rates.

But the division of responsibility will remain unambiguous. Electors will be able to decide what they think of the scaling factor set by the central government, and also, whether, given the norms and scaling factor, they feel that authorities responsible for the area have made sensible decisions about the level of local expenditure in view of the effect on local rates.

Contentious calculation

The main virtue of this new system is that it is transparent and, prima facie, fair. This does not mean there will be no disputes about its more technical aspects. In particular, the calculation of "standard" expenditure for each area is bound to be contentious because of the large differences between authorities mainly for demographic and geographical reasons.

In the case of education one could, for instance, count the number of school children and multiply by the average cost of educating a child; but that would be unfair to areas (mostly London) where teachers' pay has to be higher than elsewhere and to sparsely populated areas where the ratio of teachers to children has to be relatively high.

It is obviously going to be difficult to distinguish, authority by authority, whether differences in education costs per child are due to variations in the quality of service, in efficiency of administration or to unavoidable differences in the cost of achieving a given standard of service. Similar problems will arise for all the other services.

But any fair system of grant distribution to local authorities which is designed to compensate for variations in needs must encounter this problem,

implicitly if not explicitly. Indeed, the existing system for distributing rate support grant includes factors such as an amount per school child from which an implicit estimate of the standard expenditure in each area can be inferred (as we demonstrated in the critique of the Layfield Committee's report which we published last November).

An essential part of the Green Paper proposals is that estimates of standard expenditure which at present lurk heavily disguised in the grant formulae will be made explicit and public. Not only will electors know whether or not their own authority spends more or less than the standard published for it, but also local authorities will themselves be able to argue in public, if they believe that the method of calculation of the standard is unfair.

It is important to note that the estimation of each authority's standard expenditure and the basing of the grant on this does not mean that the authority must actually spend any particular amount in total nor that it must allocate the total between services in any particular way. Under such a system the authority can still choose its own priorities within the total and it can also spend more or less than "standard" if it chooses to impose a higher or lower than average rate burden.

A second important feature of the new proposals is that national standards will apply uniformly to all areas. At present we have, in the "largest" deficiency as opposed to the "smallest" system so far as compensation for inequality of resources is concerned.

In effect, the central government at present stands in for a relatively poor authority, is a "ratepayer" owing much national property which is required to bring that authority's rateable value up to standard. But nothing is taken away from authorities with rateable value above the standard.

This, it is true, is a fairer system than the present one, but it leaves the richest authorities better off than the poorer ones. This anomaly would be

ended under the unitary grant system proposed in the Green Paper.

The main defect of the new proposals is that they continue to rely on rateable value as a measure of the taxable capacity of a local authority area. Thus, if average incomes were the same in two areas but the rateable value of a given type of house is twice as high in one area as in the other (is not unknown occurrence), then application of the same standard rate poundage to both areas would mean that people with given income living in a given type of house in one area pay double the rates they would pay in the other area.

Ratio to personal income

The Green Paper considers only one possible way of carrying out an adjustment to correct for this anomaly—namely, that the grant received by each authority should be adjusted by reference to the ratio of its domestic rateable value to its personal income received by its ratepayers. The Green Paper then firmly rejects such a possibility on the grounds that it would be difficult to collect the relevant data on personal income and that it would be "the effect would be to increase the rate burdens of people with below average income living in areas where aggregate income was above average."

The authors of the Green Paper make this very emphatic statement without apparently realizing that it is only true on a superficial and in our view implausible assumptions about the variability between authorities in their rateable values relative to that of their income per head.

That, surprise as it may, is not true, is broadly true, that average income was above average income living in areas where aggregate income was below the average."

rateable value shows marked differences, the categorical statement quoted above would be the reverse of the truth. A poor family living in a relatively high rateable value area would have a higher income adjustment, be better off, since it would gain more from the compensation for high rateable values than it would lose through being penalized for the generally high level of personal income.

We conclude, therefore, that the proposal to use rateable value as a basis for systematic equalization is based on a defective analysis, would produce serious anomalies and constitutes a serious blemish on an otherwise excellent set of proposals.

It is, of course, quite easy (as set out in our November study) to adjust rate support grant so as to compensate for differences between areas in rateable values of similar types of property. A crude measure, but one which would be far better than doing nothing at all, would be simply to adjust for differences between areas in average domestic rateable value per household—a figure which is immediately available for every area.

If no adjustment of this kind were made, the main losers from the new proposals would be Londoners, whose position would be materially affected for the worse under the Green Paper's proposals; and, except to the extent that the effects were offset by rate rebates, the burden would fall heavily on the poor in London as on the rich.

Wynne Godley and Francis Cripps

Mr Godley is Director of the Department of Applied Economics at Cambridge University and Mr Cripps is a senior research officer there.

*Local Government Finance: Cmd. 6813, HMSO 1977. The Green Paper on Local Government Finance, Cmd. 6813, is available from HMSO, 10, Whitehall, London SW1A 2BQ. It is also available from the Layfield Committee Report by Francis Cripps and Wynne Godley, Department of Applied Economics, Cambridge CB2 3RQ.

Business Diary in Europe: Historic architecture

While Britain's first presidency of the EEC was ending on a rather uninspiring note last week, one British citizen at least scored a notable personal victory at the European Court of Justice in Luxembourg.

Richard Patrick, a Briton with an Architectural Association degree, had been refused permission by the French authorities to exercise his profession in France. The French argued that although freedom of establishment was provided for in the Treaty of Rome it was dependent on national implementing legislation, which did not yet exist in the case of architects. Furthermore, there was no reciprocity convention between Britain and France.

In effect, the court found that a citizen of a new member state, provided he held qualifications recognized by the Community state in which he intended to establish himself, could work as an architect in that country on the same terms as its own nationals.

The important point about the ruling, which is being hailed with the historic "Reyners" decision, is that it cleared the way for the freedom of establishment of lawyers in the EEC, that it makes clear that the obligation imposed by the Rome Treaty is absolute, and not dependent on implementing legislation.

As the British team gets down to work on the first day of the 1977 Industrial Apprenticeship Competition—the "Skill Olympics"—in Utrecht today, Fred Hill and Bill Norris have more

than this year's national show to worry about. Hill is chairman and Norris secretary of the body that fields the British team. Next year's competition, however, is to be in Pusan, South Korea, and the cost may be more than double.

In 1978, therefore, will VOTE be able to send out a team even as big as this year's? "Something we always seem to get by," is all Hill would say when we saw the team off at the weekend.

Help, however, may be on the way. After a vote of mine last March about VOTE, Norris says, the council was approached by Shell and by Chester Rabone, the Birmingham engineering measurement firm both of whom are now considering whether to help.

VOTE receives no government financial aid. The construction industry training board has underwritten seven apprenticeships from the building trade who are taking part this year.

The road transport industry training board is also sponsoring a team. Julian Bieneck of Cambridge, who is to compete in this year's new category, automobile engineering. The rest of the cost has to come from donations.

The results of the competition, which is being held at the Royal Dutch Industries Fair, will be announced next week.



Bill Norris, VOTE secretary. Peter Haxby, RTTB director of training, Julian Bieneck, "Skill Olympics" competitor, and Fred Hill, VOTE chairman: Utrecht, here we come.

end. Last time the competition was held in Madrid, in 1975 there were 20 British entrants who between them won a gold, a bronze and an honourable mention.

The Italian economic weekly *Il Mondo* has found that 70 per cent of company chairmen and top managers have offices at the corner of buildings. Perhaps it symbolizes the state of mind of all too many managers in Italy today, caught in a corner with their backs to the wall.

Dr Hans Friderichs, Bonn's economic minister, must be regretting the day in 1973 when he had the bright idea of drawing up an energy policy for West Germany.

The oil crisis and the rise of anti-nuclear opinion have already run a coach and horses through two sets of government

Most parliamentarians in Germany are civil servants and therefore it is probably not surprising that when the Government's Bill came before the upper house of parliament the other day it was rejected, and put on the back burner to simmer for the time being.

In the brisk contest for sales of Cigarettes, with the new tobacco subsidies to the 11 brands launched in Britain last Friday carry the information: "First sold in Switzerland."

The marketing man of the manufacturers concerned says that this is because "we believe that people in England know that the Swiss are a health-conscious nation and will accept this as a product which has the same success in such a climate."

Asked whether he saw any similarity between what might be regarded as an erosion of the clean Alpine air and the type of advertisement that shows athletes smoking, he replied that under the new agreement with the Government such athlete advertisements are out.

The cigarette has been marketed in Switzerland for two years with modest sales results.

Department of useless statistics according to the conservative dominant group policy, Great Britain has the highest proportion (88.9 per cent) of homes with flush toilets in Europe, and also a bigger proportion than the United States and Canada.

Lennons Group reach new peak

RECORD PROFITS FOR THE EIGHTH CONSECUTIVE YEAR

Group Profit Statement

	53 week Period ended 2nd April 1977	52 week Period ended 27th March 1976
Sales	£66,508,118	£46,020,923
Group Profit Before Taxation	1,668,929	1,246,393
United Kingdom Taxation	885,000	664,200
Group Profit After Taxation	£783,929	£582,193
Interim Dividend of 0.37836p net per share	95,608	61,733 (0.5p net)
Less Dividends waived	7,000	68,094
Recommended Final Dividend of 1.08881p net per share	277,924	277,924 (1.08881p net)
Less Dividends waived	20,076	257,848
	£84,848	£215,143
	£868,777	£797,337

* Paid on the share capital prior to the 1st of 1976. Interim dividend of 0.37836p net per share on the increased capital.

Extracts from the Statement of the Chairman, Mr. D. P. Lennon:

- Post-tax profits for the period are £1,668,929 compared with £1,246,393 for the 52 weeks ended 27th March, 1976, and this represents an increase of 34%.
- First class second half performance—profits increased by 43%.
- Directors propose a final dividend of 1.08881p net per share, which, together with the interim dividend paid of 0.37836p net per share, is the maximum allowed under current legislation.
- Group has extended its area of operations into both Yorkshire and the Midlands. Four supermarkets and fourteen off-licences opened during the period.
- The new financial year has started well and the Group is poised for further growth.

The Annual General Meeting will be held at 12 noon on Friday, the 26th of August, 1977, at the Abbots Well Hotel, Chester. Copies of the Report and Accounts will be available from The Secretary, Lennons Group Ltd., Corporation Street, St. Helens, Merseyside, WA9 1LP.

LENNONS GROUP LIMITED

Lennons

MANAGEMENT

Equipping the oil companies for the next energy crisis

For the international oil companies the years leading up to 1980 will be crucial. Investment decisions and development strategies agreed in the next three years will decide how the companies will fare once the full effects are felt of the energy crisis that will emerge over the next decade.

At Shell, the second largest of the oil giants, Mr. Michael Pocock, an Englishman, will be overseeing the fortunes of the Anglo-Dutch group during this period. Today Mr. Pocock begins his first full week at the head of the group, but because of the complexity of Shell's hierarchy it is a job that carries no title.

The Royal Dutch Shell Group is composed of two publicly quoted companies: "Shell" Transport & Trading in London and Royal Dutch in The Hague. Each company has its own board of directors, but the joint group is run by a committee of managing directors from both countries, and for the

next three years, until he retires at the age of 60, Mr. Pocock will head this all-powerful committee.

According to Mr. Pocock, it is not the international oil companies that will be found wanting in any future energy crisis. Despite the criticism of the growing involvement by the international oil groups in other sectors of the energy industry, the Shells and Exons of this world are not ducking the investment decisions that will provide new sources of oil, gas, and coal and in some cases nuclear capacity when it is needed in the 1980s.

Investments in the energy business will continue through the next three years even though the oil supply position will improve during this time as the North Sea, Alaska and, later, Mexico build up their production. Once these areas reach their peak in the early 1980s, the industrialized nations will need more oil from members of the Organization of Petroleum

Exporting Companies, and there is no guarantee that this will be available. At this stage, it will be vital that coal and nuclear power are available to fill any gaps that may emerge.

Mr. Pocock says he is determined that Shell will be well equipped to fulfil its role in the 1980s. However, not all the plans to develop alternatives to oil and gas have been an outstanding success. The disastrous nuclear venture in the United States is now in the past, if not forgotten, and coal is now the main target.

By the mid 1980s, Mr. Pocock would like to see an international coal trade of 300 million tons a year, of which Shell would contribute about 30 million tons.

Starting a new international commodity business requires more than just investment in coal mines, exporting facilities and ships by Shell. Consumers and governments in the industrial nations have to be convinced that coal from southern

Africa and Australia will be a secure source of energy and, in Europe, will not undermine the efforts to expand existing coal industries. Mr. Pocock sees no danger of this happening, as he believes the European coal producers will be hard pressed to maintain their current levels of output. Let alone embark on an ambitious expansion.

Investment in oil and gas will also continue. But there are question marks over whether companies can in future risk large scale investments in Third World countries because of the growing threat of nationalization.

So far Shell has not been deterred from any Third World investment, but there was a guarantee that it might, one day, happen some time in the future, said Mr. Pocock. Shell was large enough to finance this type of project from its own resources, but companies who had to rely on outside money could find it difficult to find bankers willing to accept the risks. One



Mr. Michael Pocock, who will be overseeing the fortunes of the Shell group in a period when crucial investment decisions are being made.

very out of these difficulties was the international banking consortia that could rely on

the World Bank to guarantee the safety of investments.

Also to be faced during the next three years is the question of relationships between individual companies and the multinationals. "It's no good pretending we are not big," says Mr. Pocock. "But we have made our subsidiaries largely autonomous and we have to convince nations that we are doing the best job possible for their country."

Mr. Pocock feels that the way international oil companies distributed crude oil during the 1973-74 supply crisis has helped their case.

There are also likely to be questions about the development of the oil multinationals into energy corporations. "We are not going into coal because our size gives us special rights. If we don't, who will? No one outside the oil companies is yet ready to make these investments," Mr. Pocock said.

Roger Vielvove

Sir Roger: portrait of a consultant

The world of management consultancy lost one of its more colourful figures last week with the retirement of Sir Roger Falk from the board of P.E. Consulting Group at the age of 67.

He has had two periods of association with P.E. In the 1950s he established the group's marketing practice at a time when P.E. was still rather narrowly associated with production engineering, and he returned to it as chairman in July, 1972, when P.E. was participating to the full in the declining fortunes which were then afflicting management consultancy in general in Britain.

He carried out what he refers to as "a bit of a surgical job" on the group with the result that by comparison with early 1972 P.E. now has about one-third fewer consultants, but fee income has increased by about a third.

In general the seventies have not been kind to consultancy in Britain. After the halcyon days of the late 50s and 60s growth in the British market has been poor, although there has in the past four years been a great upsurge of overseas work to provide some buoyancy.

Sir Roger's view of the future of consultancy differs markedly from the images of the profession which were prevalent 10 years ago. The future, he seems, does not lie with the bright young man desperate to put the world to rights, but rather with the man who has had 10-15 years of solid industrial experience, and will probably return to a top job in industry after a decade or more in consultancy in the middle of his career.

Although consultancies like P.E., PA and Urwick Orr remain large, and Sir Roger believes there will be the work to sus-



Sir Roger Falk: outlining the challenge ahead.

tain them, he doubts if there will be much room for the growth of other large consultancies. Rather, he thinks the profession will move more and more in the direction of "a consultancy of a specialized kind."

He sees the challenge for the consultancies as being "to make certain that the specialists which they develop and sell are not phoney, but have a base of absolute value, and are not gimmicks."

Himself a pluralist of distinction, he has no patience with the image of the consultant as a 16-hour-a-day man who has no time to read anything that is not vocationally oriented. Rather, he sees the ideal consultant as being a rounded man

with a generally inquiring mind. "Whistledy is old," he says.

For Sir Roger, his departure from the management consultancy scene by no means indicates that he is quitting altogether. He is chairman of the Society's Welfare Foundation, a member of the Monopolies and Mergers Commission, and has many other activities. Nor, in fact, will his influence be wholly removed from the practice of management, for his book, *The Business of Management*, first published in 1961, is now in its fifth edition, and sells, mostly with sales of over 250,000, R.C.

* Pelican, 85p

Watching for the signals from the smokers

Substitute tobacco, which made its debut in the shops last Friday, poses one of the biggest marketing challenges ever faced by the tobacco industry. Not only are there the normal competitive pressures, linked with the eleven cigarette brands which made their simultaneous appearance, but there is an educational job to be carried out as well.

For, although the research and development of substitute tobaccos has been carried out in the international R&D which followed the reports of the Government's Independent Scientific Committee on Smoking and Health, only a handful of smokers understands the product's characteristics and applications.

All this must take place in a market still suffering from a traumatic upheaval to its established pricing and promotional practices in readiness for the EEC tax changes. During the last 15 months at least 10 new cigarette brands have been launched during the battle for shares of the king-size sector and the withdrawal of cigarette compo-

ns. The present plight of the tobaccoists whose shelves are crowded with the new king size and non-coupon cigarettes was one of the factors which worried the presenters of the substitute tobacco brands. However, the timing of the launch was dictated by the Hunter Committee's findings and by a manufacturers' agreement that it should take place on the same day as well.

The agreement about the launch date did not, evidently, extend to advertising. For within three days of the committee giving its approval to substitutes on March 31, Gallaher had put out newspaper advertisements saying that its Silk Cut cigarettes with substitute tobacco were the "first to be approved."

These were countered shortly afterwards by Rothmans' advertisements with a series of advertisements for its Pear Special brand of cigarettes saying that these were "the world's first cigarette with Cytal tobacco substitute."

Wills and Player's, the two much larger Imperial Tobacco companies, were not, however,

able to announce their brands which contain NSM, an alternative substitute material, until two months later, at the beginning of June.

Despite their smaller size, it was not surprising that Gallaher and Rothmans were able to take the initiative, because both companies had had marketing strategies worked out in advance. Ever since 1959 when it first launched its Silk Cut range of low tar cigarettes, Gallaher has had a dominant stake in low tar smoking. It was an obvious step for it to market the new substitute material under the Silk Cut name.

Carreras, Rothmans, which exports a high proportion of its output, had already developed, produced and marketed a brand containing substances in Germany and Switzerland. Again, it was a natural step for it to adapt the same brand, Pear Special, for the British market. The only difficulty is that the name is new to smokers in Britain and needs to be established as a cigarette brand from scratch.

Whether the "first to be approved" tag will help it to establish an entirely new name or whether to adapt an existing brand.

Player's, which last year expanded a lot of energy and several million pounds in successfully establishing John Player King Size, is using this name for its substitutes. No 10 and No 6 for the substitutes.

Wills, still wrestling with the problems associated with the withdrawal of coupons from its dominant Embassy brand, hedged its bets. It has produced a version of Embassy with substitute and the same time launched an entirely new

brand name, President King Size, to carry the substitute material.

All the cigarette manufacturers are investing heavily in advertising the new brands in newspapers, magazines and on posters. Gallaher, which expects to spend £2m on media advertising and another £1m on publicity for Silk Cut, is probably the highest so far in the advertising league table. Collectively the industry is spending about £5m on advertising the launch.

But the producers are keeping a cautious watch on future developments ready to boost their advertising to meet the challenge of their competitors.

Besides advertising, Imperial is backing Wills' President and Player's No 10 and John Player King Size and Player's No 10 with a free offer of 20 cigarettes for every 100 purchased.

All the manufacturers are confident that smokers' trial purchases will be heavy. They worry at the weekend, was, whether distribution and production would keep pace with demand. However, the big question is whether, having tried the new cigarettes, smokers will want to repeat the experience.

Low tar cigarettes at present account for only about 10 per cent of cigarette sales in Britain. The manufacturers believe that the use of substitutes will help to overcome the loss of flavor and the heavy filtration problems associated with all-tobacco cigarettes in the low tar category.

They hope that sales of low tar brands will expand to match the 20 per cent share of the market held in the United States.

But it is estimated that it will be the middle of August at the earliest before a sensible assessment of the initial performance of the new brands can be made.

The strict confines of the code of practice governing cigarette advertising, together with their own caution, has persuaded the responsible cigarette makers from making extravagant health claims for the new brands.

The claims the cigarette companies can make, and are making, is that the addition of substitute improves the flavor of low tar smoking. It remains to be seen whether this is enough to persuade smokers to make the change.

Information on the group itself. GKN was early off the mark in this field, with the production in 1972 of the first of its "Bamburgh" range of argued reports for employees; and 75,000 copies of the most recent version went out (to home addresses) a couple of months ago. With them, in some cases, went the first of the individual operating units, reports which the group is now encouraging, and where necessary requiring, from its down-line management.

The idea that individual subsidiaries or small groups of subsidiaries should produce information for their employees is not entirely new within GKN for the Heath Street works of the fasteners division has been producing it for the past 25 years. And last week the group took its first formal steps in this direction by encouraging more subsidiaries to follow this lead.

Among the 125 such reports produced, the standard varies widely, not strictly in presentation but also in the amount of information given. Some companies' reports contain no more than a few words on dire operating conditions and the bald statistics of profit or loss to back them up; while others have gone in for extensive comment on plans and prospects.

Does not the group consider more uniformity would be desirable? No, says Mr. Parsons: "and certainly not uniformity imposed from the centre. But the display recently arranged at the group's headquarters is a real test: will it stimulate emulation next time round. As for the reaction from the employees for whom the reports are designed, the management claims it is still too early to judge; but Mr. Parsons reckons that the group would persevere even if it proved to be adverse.

What about the cost? He says very firmly that he doesn't know; in any case it has to be set against the benefits. They came over the longer run, in terms of the absence of disruption, of resistance to improvements in productivity. But the first real test will come shortly, "when our companies come to negotiate over phase three—or the lack of it."

Adrienne Gleeson

Trafalgar enters circulation with a major property scoop

Newspapers are in the news and as Mr. Nigel Brockles and Mr. Victor Matthews sell down Fleet Street James Capel notes that the longer-term property development potential at Beaverbrook provides a useful insurance against the more critical problems on the newspaper side.

Apart from Aitken House, which has 54,000 sq ft of space under the old Evening Standard building in Shoe Lane is within 100 yards of another Trafalgar site in White Office Court, and together these two sites could have a potential in excess of 250,000 sq ft. Although Capel believes that planning permission has not been sought, "clearly the site is ripe for a major development."

So, Trafalgar could be gambling from a strong hand. It succeeded where three other suitors failed and one of those, News International, is examined by the New York broking house of Philips, Appel & Walden.

Edited by Mr. Andrew G. Racz, the review forecasts a 27 per cent profit rise to £20.2m in 1977 for earnings of 46p against 37.29p per share. The margin erosion which has occurred in the News Group Newspapers will be arrested by the recent cover-price rise and advertising rate increases, which is the main reason for the projected growth this year.

It is becoming apparent, Mr. Racz believes, that both operations are making greater progress than originally expected and the better-than-anticipated performance from the National Star and San Antonio papers.

Philips, Appel & Walden also attributes part of News International's strength to the leadership of its chairman, Mr. Rupert Murdoch.

Although the broker makes the point that the importance of the "head actor" in any organization is often overblown and "even the glamorous and daring acquisitions would be subject to failure without a hard working and very capable staff to supply legal, editorial and financial information."

Acquisitions appear to have dominated the investment trust scene this year. The most significant have been those of British Rail for Standard Trust, latterly taken over by Prudential Assurance and European Ferries for English & Caledonian.

But Wood Mackenzie, in an annual review of the sector, notes that despite some £125m of takeovers, discounts remain large, around 35 per cent.

But the firm's analysts, Mr. E. N. Richards in Edinburgh, find no evidence to indicate that trust managers have done an "unsatisfactory job" for their shareholders.

Ray Maug

Freight report

The big, unanswered question for tanker owners, charterers and brokers alike last week was how the compromise agreement reached on oil prices by the Opec states and the breakaway action by Libya and Iraq would influence the market.

It is really too early to make any firm predictions, but the general consensus of opinion was that the market is currently in such a state that any movement is likely to represent some improvement.

They discovered that net asset values have formed both the FT All-Share Index and if Holder Index over five and believe that "whi dead increases have those of United. X equities, the prospect of rapid growth are secure."

Dividend performance fallen behind through liquidity which leads to interest earnings an timelag experience. I receiving and distribut stantially increased a following the devalu sterling.

On the last point, p results over the last months have been int conveying with average increases for trusts wit ends in January, Febru March running at 10.7 p 20.2 per cent and 20.3 p respectively.

Wood Mackenzie expe buoyant trend to contin, although Mr. Derby s Buchan note that the el high overall taxatio inflation continues to p trusts' traditional su amongst individual share to dispose of their

"with the price relative all-time low, the secto tinue to signal a buy." Another area "where key mergers are abn certainty is in power en In a survey of the cal industry, Joseph emphasises that for fir years now, a crisis has inevitable in the United dem power engineering try."

At home, analyst Mr. F Ryder estimates, electri mand is expected to r

Brokers' view

only 2.5 per cent annual 10-15 years and at this re Central Electricity Gene Board would only also stalled and planned cap just over 70,000 MW in

On this basis, Mr. calculates, the CEGB's order no further, gess plan until 1979 at the s For Seab, the inve issue is clear. By the tin adverse decision had any only some 2.3 per cent of profits would come from line generators.

But Rayrolle Parsons is likely to survive on it without Drax B and in case, the broker would sell shares. "And the merger Clarke Chapman would in case Rayrolle's shareho of most of the benefits of rationalisation."

However, with Iraq Libya likely to go ahead a five per cent price rise natural to expect some- and in volume terms it thought to be great, away three two petroleum. Also, in the Gulf, with the states all returning to a non-price structure, there be some switches in sources.

The move by Iraq and I sounds to undo much of the compromise agreeem intended to achieve, and still uncertain quite wh next steps of these two times will be.

David Wilkie

How GKN is attacking the ills of 'economic illiteracy'

It is seven years since Guest Keen and Nettlefolds had its last major strike, a six-week affair at the automotive component manufacturing subsidiary GKN, Senkley, at Wellington. It was a salutary experience. It set the management pondering on why and wherefore, and it led directly to the development of a programme of employee indoctrination—the management calls it education—which has just expanded a stage further with the production of employee reports from each of the 125 operating groups.

Indoctrination into what? Into the development of money,

the nature of profit, the workings of the market, the impact of fixed and variable costs upon production, the higher mysteries of demand pull and cost push inflation and the management of the economy.

"At one session at which we were explaining to our managers what we wanted to put across," said Jimson Parsons, the group's director of personnel, "we had the managing director of our former Swedish sub-group standing at the back. He came up afterwards and asked what all this fuss was about. He said that Swedish children learnt all this at school."

It was under the aegis of Mr. Parsons that the GKN programme was developed. He had visited America a year or so after the Sankey strike, and been deeply impressed with the level of economic understanding at the shop floor. "Economic illiteracy," he says, "is one of the greatest burdens this country has to bear." There isn't much GKN can do to stem that at the roots, in the schools—"we are busy people," he says—but they reckon to put in some corrective action with the group's own employees.

Hence the development from 1973 onwards, in conjunction with Cambridge Consultants, of

the 25-module course Work and Wealth. It takes 10 days for the foreman, works staff committee members and the like to work through the video and presentation of the course and the guided discussion which accompanies it. GKN hopes and believes that the benefits work down the line thereafter. The group is now considering making the same presentation on the same lines to the employees, as part of their initial training.

However, the general attack on "economic illiteracy" is only one part of GKN's attempts to educate its employees; the other is the presentation of spe-

cific information on the group itself. GKN was early off the mark in this field, with the production in 1972 of the first of its "Bamburgh" range of argued reports for employees; and 75,000 copies of the most recent version went out (to home addresses) a couple of months ago. With them, in some cases, went the first of the individual operating units, reports which the group is now encouraging, and where necessary requiring, from its down-line management.

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Adrienne Gleeson

London & Scottish Marine Oil Company Limited

£30,000,000 syndicated term loan

Managed by:

Williams & Glyn's Bank Limited

Provided by:

Bank of Montreal

National Westminster Bank Group

International Energy Bank Limited

Williams & Glyn's Bank Limited

Grindlays Bank Limited

Standard Chartered Bank Limited

Morgan Grenfell & Co. Limited

THE CHANGING CITY
A SPECIAL REPORT

This Jubilee Year has been the inspiration for most institutions to review the past 25 years, assess the present and to look ahead to the end of this century.

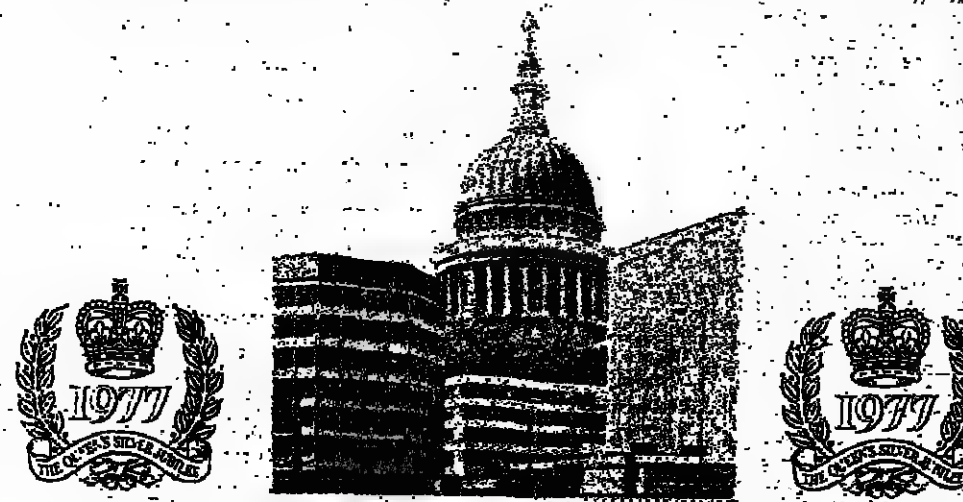
The City is no exception, and on September 20th *The Times* will be publishing a Special Report entitled "The Changing City" which will discuss the City as it is now and as it is likely to be 25 years hence.

The review of the present situation will include among other topics, banking, property development and the City's political and cultural environment.

The picture of the future will examine the likely role of the City and its institutions internationally, particularly in terms of Europe. It will look at the role of Government in City affairs, the extent of foreign investment and the architectural changes which may be expected. The City as a place to live and entertain in will be covered as will the likely employment policy of City firms in the years to come.

The report will be essential reading for all those concerned with the City and thus represents a superb opportunity for advertisers wishing to reach this group.

For further information contact Michael Knox-Wilson, The Times, P.O. Box 7, New Printing House Square, Gray's Inn Road, London, WC1X 8EZ. Telephone 01-837 1234, Ext. 7165.



FINANCIAL NEWS AND MARKET REPORTS

Trust Houses Forte, GEC, Rothmans and Assoc News

TODAY Interiors: Alexanders Discom, W. W. Ball & Sons, Associated News, Publishers, Samberg, Roper, Hedges, Sufferer, Speckman, Text, Abrasives and Westman Property Grp.

TOMORROW Interiors: Bith and Pott, Grp. H. and R. B. Jackson, Lincroft Kilgour Grp., Trust Houses Forte and Winterbottom Ltd, Finials, Attock Petroleum, J. B. Eastwood, GEC and Resonator.

WEDNESDAY Interiors: Bakers Household Stores (Leeds) and Hensher (Purvisers, Traders), Finials: Barker and Dobson, Braham Miller Grp., Carding Grp., Henderson, Kingston, Christie, Morris Grp., Rothmans International, Technology.

Results this week

W. J. Pike (Higgs), Finials: Daily Mail & General Tel, Graham Wood Steel Grp, Greene King & Sons, Kinell, Rubber Estates, Stroud Riley Drummond and Wellman Engineering Corp.

FRIDAY Interiors: Bonser Engineering, Finials: Symonds Engineering and Thorn Electrical Inds.

Key OCL change at B & C

Today, British & Commonwealth Shipping is much more than a mere shipping line, but all signs point to a major change in the company's fortunes. The company's share price has risen from 10p to 25p in the last 12 months, and the company's profits have risen from £1.5m to £15.5m in the same period.

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No quick rise in South African coal prices but sector cheap

South African Finance Minister, Senator Owen Horwood, currently on a trip round European financial capitals, found time last week to give a pep talk on the state of the economy and to declare that things were not nearly as bad as they seemed.

However, in the process of trying to spread some sunshine over the current and prospective economic situation in South Africa, the minister cast some gloom for the coal-mining companies.

Having lavished praise on the mining industry as an important part of the economy, Senator Horwood showed an enthusiasm whatsoever for allowing a price increase to go through in the short term.

There had been hopes—although fast receding over the last few days—that the Government would sanction a further round of price increases of about 18 per cent this month.

When I asked the minister what his views were, he replied: "I would hope very much that we would not have to increase coal prices just at the moment. We would not lightly increase coal prices."

It is not particularly difficult to see why the Finance Minister would be none too happy to see an increase. He claimed that the inflation rate was now running at between 10 and 11 per cent, a figure which has caused not a little surprise in some quarters and that it would have been better for the coal and electricity price increases.

The general consensus in the industry is that the increase has been delayed for some five or six months, although there are those who believe that it has been lost for ever. Either way it is not much fun for the industry.

It is only recently that the Government came to the belated conclusion that the industry needed higher prices to offset inflation, while generating sufficient capital for reinvestment and expansion.

Coal stocks have been in the doldrums recently, but investment opinion is now split on whether the sector is now inviting or whether it should be left alone until there is a price rise.

On balance, I think the sector is still interesting, given the strategic importance of coal, although it may suffer from short-term political and economic expediency. The two leaders are, of course, Anglo American Coal and Trans Natal Coal, although some of the individual collieries are worthy of mention.

Meanwhile, Union Corporation has been performing strongly on the back of a thousand-and-one rumours which mainly come down to the fact that it has discovered a low-grade, but shallow gold deposit somewhere—the somewhere at one time including Namibia, the Orange Free State (Union/South Africa) or on the Klerksdorp.

Unicorp, not surprisingly, has been quite non-committal, saying only that it has been prospecting for years and that "at this time no decision has been reached to go ahead with the development of a new mine".

That has not been enough to stop the shares rising by 16p on Thursday and another 4p to 230p on Friday, a gain of 30p over the past two weeks.

However, both Unicorp and parent General Mining have a lot on their plates and a tight cash position. In addition, General Mining considers that now that it has Unicorp under its wing it is over exposed to gold so that a new gold mine would presum-

ably have a rather low priority unless it was phenomenally rich, which, according to the rumours, it is not.

If there is a new mine—and depending on where it is—Selection Trust could be getting in on the act, although on Friday it said it had no news. After its very good preliminary figures, ST has now announced a US\$40m short-term Eurobond to cut its 12-month foreign indebtedness.

Surprisingly, for the kind of long-term industry it is in, ST's debt is mostly short to medium term—the total debt of about £50m is all repayable by 1988. Short-term debt stands at around £13m, while some £39m of the £77m remainder is repayable by the end of next year.

Given ST's dash for growth and the capital intensive projects it has on hand, the rescheduling of its debts will give it useful room to manoeuvre.

It might have taken them a long while, but the thundering herd in the shape of Merrill Lynch has finally got round to seeing what beauties De Beers has on offer and a report from the brokers was partly responsible for the 23p rise to 266p in the shares over the last two weeks.

Another element undoubtedly has been professional buying ahead of the Central Selling Organisation figures expected next week, which will underline the strength of the diamond market.

De Beers has, in fact, been coming in for considerable flack lately from Botswana and its friends, over its negotiations on the Jawweng deposit. It is also being put about that De Beers and Anglo American have been orchestrating an anti-Botswana propaganda campaign. (Recently this column was strongly attacked for suggesting that the Botswana Government had been less than fair over Orapa. Personally, I never could stand playing in an orchestra.)

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Some disappointments in Lords Select Committee's report

Briefed to investigate the problem of instability in prices of primary commodities, to scrutinize proposals designed to rectify wide price movements in these commodities and to report on the likely effectiveness of these proposals in reducing the substantial price fluctuations of recent years, the House of Lords Select Committee on Commodities has done a painstaking job.

Its report, published last Thursday, shows that it has investigated thoroughly and scrutinized meticulously, although it is perhaps too restrained in dealing with a hazy but lively field.

One of the main conclusions of the report is that for durable commodities subject to price instability, international commodity agreements, run jointly by producing and consuming countries, using buffer stocks with production and/or export quotas in reserve, offer the most promising prospects, although, cautions the committee, "they should not be regarded as a panacea for all ills".

A Common Fund, available to all international commodity agreements, would afford economies in the finance of these buffer stocks, but the problems of each commodity are likely to vary so much that considerable autonomy must remain with individual agreements, says the report.

The committee says that a good case has been made for appropriate action for the 10 "core" commodities chosen by the United Nations Conference on Trade and Development (UNCTAD) for early consideration if a Common Fund were established. The commodities are sugar, coffee, cocoa, tea, cotton, jute, hard fibres, rubber, copper and tin.

However, the committee says that agreements primarily directed to price stabilization are not necessarily appropriate for all of them.

Whether agreements are formed or not, energetic action should be taken internationally to develop better information

its hand in its pocket for reasons I will go into in a moment. The Parliamentary Group is well aware that the chances are not good and is actively seeking a sponsor, or sponsors, elsewhere.

But in putting up a case for a call on public funds the main point is one to which the committee itself draws attention in its report—that according to a recent Bank of England Quarterly Bulletin the commodity markets are now making an estimated contribution to invisible earnings of the order of £200m a year.

It is a fair assumption that if London became the world centre, that contribution would grow. Both the committee and the Government should be mindful of the advice usually given by the professional gambler to the reluctant punter—"You've got to speculate to accumulate".

Personal disappointment about the report will be felt by Mr Leo St Clare Grondona whose latest book, *Economic Stability is Attainable*, is required reading.

Although in their acknowledgements the committee make special mention of his testimony, as coming from one who "has devoted himself with unflinching zeal and energy over more than half a century to the pursuit of means of achieving economic stability", they nevertheless reject his proposals.

This is on the ground that "they date from a time when Britain had greater weight in international trade than is the case today and the committee do not consider that they are presently in the world as it is now".

A fair comment from Mr Grondona would be that perhaps if more attention had been paid to his proposals in the past, Britain might not have lost weight in international trade.

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Commodities

on trends of supply and demand, through fully representative study groups.

The committee thinks that it should be a standard provision in international commodity agreements with buffer stocks that consuming countries should contribute equally with producing countries or else that both sides should agree to an export tax to provide the finance. The committee does not agree with the argument that stability is beneficial only to producing countries.

Commodity agreements are not suitable instruments for giving aid to developing countries in the form of price increases, but this should not rule out preferential arrangements between rich and poor countries as for example under the Lomé Convention, says the report.

The report contains some disappointments, not the least of which is that the committee goes no further than to sympathize with the efforts of the Parliamentary Group for World Government to make London a world commodity centre on the ground that "it is not claimed that it would make any significant contribution to price stabilization" as such.

Yet one of the committee's complaints in the report is that there is a lack of statistical information on the operation of the markets and providing a centralized information centre is a main objective of the world centre proposals.

Perhaps the closest towards the proposals is not unconnected with the committee's comment that "the scheme would depend on the grant of public funds toward the capital cost".

That is an assumption and not necessarily an accurate one. Although it is highly desirable that the Government should put

its hand in its pocket for reasons I will go into in a moment. The Parliamentary Group is well aware that the chances are not good and is actively seeking a sponsor, or sponsors, elsewhere.

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Norwest keeps order books at high level

The annual accounts of Norwest, the largest of the four major British shipbuilders, will be published on July 15. The company's order books are at a high level, and the company's profits are expected to be high.

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Sketchley well ahead

Unusually high tax spoilt the 15 per cent rise to £22.5m in pre-tax profits in the year to March 31 from Sketchley. The company's order books are at a high level, and the company's profits are expected to be high.

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Sodium sulphur battery may be key to Chloride

By our Financial Staff

It is Chloride Group's misfortune that right now its standing in the stock market is dominated by industrial trouble. The group confounded the fearful by reporting pre-tax profits of £26.4m against £19.3m for the year to March 31 but the worrywarts are back with fears that the long strike at the 4.8 million man days worked by the Group's 21,000 employees were lost due to strike action—an average of 0.26 per cent.

The story is taken up by Mr Michael Edwards, chairman, who recalls that last time out put stopped at the two plants was in 1967 when the standstill was four days.

But this particular strike and six-in started just after mid-May, at Clifton Junction, Manchester, and at Dagenham in Essex. Early in June when the strike was three weeks old, workers were warned that jobs were at stake.

The chairman, now adds:

"negotiations with the Unions have not been resumed but until the outcome of these is known it would be unwise to attempt to give a view on the prospects for this year."

If one could forget the strike, Chloride would be looking good. Last year's 37 per cent profit gain was led by Chloride Europe, thanks to plastics, metal and a late recovery in demand for industrial batteries.

Industrial battery demand is still recovering and markets in Continental Europe are being increasingly penetrated. Prospects in the industrial division seem good, and the return on assets in the automotive division is rising. The Systems division plans no further growth.

Looking a bit further ahead, Chloride's talk of the sodium sulphur battery which could save the weight of a lead acid battery and outperform it, Chloride is making "solid progress" but development and testing must go on for a further year or two to be sure.

If Chloride's hopes are fulfilled, this battery will be much more important than the present strike. At 107p the shares are still riding high. The 1976-77 peak was 115p.

100.5 to yield 8.16 per cent at maturity, the issue was trading at 101 on Friday for a yield of 8.08 per cent.

Underwriting sources say a £300m 10-year issue of the sodium sulphur battery, NV Amey, is encountering the same pricing problems as the Gist Brocades offering.

The Amey issue was scheduled this week for offering on July 12 with a tentative coupon rate of 8.25 per cent. However, the issue was reportedly twice over-subscribed in the first few days of the selling period so that the manager, Pierce, Frensham & Pears, will probably have to cut the coupon rate by a quarter-point to 8 per cent, a syndicate source reports.

To be sure, the Amey issue has an unusually favourable sinking fund provision. Starting on August 1, 1978, \$3m will be retired annually so that the average life of the bonds is a relatively short 5.5 years.

Many of the recent corporate issues have had their terms substantially altered in favour of the borrower, yet investment demand has been so great that the issues have traded at premiums afterwards.

A case in point is a recent issue of Gist Brocades International NV, a financing subsidiary of the Dutch pharmaceutical company.

Though the coupon rate for the \$20m eight-year issue was cut by a quarter-point to 8.25 per cent and the issue priced at

100.5 to yield 8.16 per cent at maturity, the issue was trading at 101 on Friday for a yield of 8.08 per cent.

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